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- Stock Options in a Bearish Market
- When the Employee Turns Author
- The Board's Course on Personnel
- Consumer Prices: the Year in Review

NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

CONTENTS

SPECIAL ARTICLES

REGULAR FEATURES

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Management Record

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• In the Record •

Stock Options in a Bearish Market

How has the generally declining stock market of the last two years affected the popularity of stock option plans? Are companies still finding them an effective means of motivating executives and increasing their compensation?

To get some answers to these questions, the Board has analyzed twenty-five plans adopted in 1956 and 1957. Indications are that stock options remain as popular as ever.

In many respects, the new plans are quite similar to those analyzed by the Board in earlier years. But there are some interesting departures. Particularly noteworthy are two plans, set up in 1957, that integrate stock options with the companies' long-established incentive bonus awards. For the company, this has the advantage of a smaller cash outlay, while the executive's opportunity for stock acquisition is stepped up. Furthermore, he has a choice between income provided by a bonus and/or dividends (on which he pays regular income tax rates) or the income possible from exercising his option (on which he pays the lower capital gains rate).

This detailed story on stock options begins on the next page.

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When Employee Turns Author

An increasing number of companies are finding that when their scientific and engineering personnel are permitted to publish the results of their contributions to new developments and products in trade and professional magazines, they are encouraged to further achievements. And such articles not only bring prestige to both the author and his company, but they help spread vital, new information throughout the field.

Therefore, many firms have instituted programs to help their technical personnel in organizing the material to be published, as well as editing and placing it in the proper magazine. Some companies also supplement the pay that authors receive for their articles. "When Employee Turns Author," starting on page 42, discusses in detail the individual programs of fifteen of the largest employers of technical personnel.

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Who's Interested in Personnel Administration?

Managers in general are becoming increasingly aware of the contribution that modern personnel administration can make to executive leadership. Less and less is personnel administration looked upon as a separate function only vaguely connected with the over-all management function.

This undoubtedly is one of the reasons why companies have seen fit to send many of their line people to The Conference Board's two-week course on personnel administration. In its seventh year now, the Board decided it was time to take stock of just who has come to the course, why they came, and what they got out of it. As indicated by the article on page 47, many types of businesses have been represented. And a wide range of management people outside personnel administration (such as sales, financial, public relations, etc.) have attended this course.

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The UAW's 1958 Demands

Walter Reuther, president of the UAW, has made headlines across the country with his demand for a share-the-profits program for his members. But important and controversial as the proposal is, it will be only part of the UAW's 1958 demands.

One of the other items being stressed by the union in this "whopping big package" is the extension of supplementary unemployment benefits. The UAW wants to amend the SUB plans so that they will provide higher benefits for fifty-two weeks instead of the present twenty-six. It also wants to use SUB to counteract the effects of short workweeks by placing benefits on a daily rather than a weekly basis.

The article, starting on page 50, discusses in detail these and the other demands that the "Big Three" auto makers will face this spring.

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Consumer Prices—the Year in Review

The most interesting thing about the 1957 price picture is the failure of consumer prices to travel along the same general path as the other economic indicators. When inflationary pressures gave way to deflationary ones in the second half of the year—and employment, earnings and output were all declining—consumer prices continued their upward course. By December, 1957, they stood 2.7% above their year-before level.

As might be expected, the service components pushed up more than the goods groups, which had something to do with the sundries index registering the largest increase and apparel the smallest. "The Year in Review" gives the over-all price picture as well as the details. It starts on page 56.

Stock Options in a Bearish Market

After an over-all analysis, the Board takes a closer look at two recent plans that integrate stock options with incentive bonuses

HOW HAVE stock options fared since the bearish market set in? Have they remained popular as a form of compensation for attracting, holding and motivating key employees?

The popularity of "restricted" stock option plans started and grew with the steady rise in the market that began in mid-1949 (see box below). The reasons are easy to understand. Profits from the resale of optioned stock—thanks to Internal Revenue Code rulings of 1950 and 1954—could be treated as capital gains. This opened the door to more tax-clear income for high-bracket executives who exercised options. The companies profited, too, since this type of compensation represents no cash outlay.

The market, however, is no longer rising steadily. Some analysts have likened its behavior of the past two years to a man on a treadmill—much activity but no progress. The stock prices of many listed industrials rose and then fell during 1956, made a comeback in the first half of 1957, and then fell again as the year came to a close. Many executives saw paper profits (if not actual ones) on their options dwindle or fade away completely.

In the face of these developments, what has happened to stock options? Has the performance of the stock market in the past two years robbed them of their glamor?

A Conference Board analysis of twenty-five plans adopted during 1956 and 1957 by companies listed on the New York Stock Exchange reveals that boards of directors, in supporting their proposals to stockholders, are as convinced as ever of the value of options as a form of compensation. Two very large companies in the group, long known for paying substantial annual bonuses, adopted option plans in 1957 to further motivate their executives and to reduce the annual cash outlay for executive compensation. Other companies, with plans dating back to the early days of the market rise in 1949, are extending the life of their plans and stepping up the number of shares available for option grants.

No plan in the latest analysis contains the variable price options provided for in the Code (see box, page 40). All set the price of the stock as of the date of the grant. The absence of the variable price options was also noted in a previous analysis of twenty-four plans put into effect between February, 1955, and April, 1956.[1] But, with the downturn in stock prices, it might have been expected that some of the 1957 plans would capitalize on the Code provision that permits setting the stock price at a date later than that of the option grant.

[1] "Stock Options Continue in Vogue," *Management Record*, August, 1956, p. 266.

How Stock Options Work

In a "restricted" stock option plan, selected employees are given the opportunity to buy stock and become part owners of the company—at discount prices. What's more, should they decide to sell the stock (after holding it for the required period), the discount at which they bought it is calculated to net them a profit; and this profit becomes taxable as a capital gain.

To illustrate, say Company X adopts a stock option plan. Under the plan it grants John Smith and a few other key employees options to purchase 1,000 shares of stock, over a ten-year period, at 95% of the stock's fair market value as of September 23, 1957, the date of the option grant. On that date, the market value of the stock was $100 a share.

The plan requires optionees to wait one year before exercising their options. Now suppose that on September 23, 1958, the market value per share has dropped to $90. This would be a lower price than the $95 option price (95% of $100), and obviously there would be no incentive to exercise the options.

But assume that the stock reaches $120 per share by February 1, 1960. Now John Smith decides to purchase the 1,000 shares that were optioned to him back in 1957. His purchase price at this time would still be only $95,000 (1,000 × $95), since his option price remains the same for the ten years of the option's life.

Finally, to illustrate the tax advantage, say John Smith holds the 1,000 shares for six months, then sells them when the market value per share has gone up to $150. He realizes a profit of $55,000 ($150,000 — $95,000); and this profit is taxable not as ordinary income, but as a long-term capital gain. Thus, his net income after taxes stands to be much greater than it would be if the $55,000 had been paid to him in straight salary, taxable at ordinary income tax rates.

It hasn't worked out that way. To date, not a single plan coming to the attention of The Conference Board since late 1954 included the variable price feature. There may be good reason for this. The provision, which first appeared in the 1954 Code, did not carry the finality of an Internal Revenue Regulation until the latter part of 1957. By that time, all of the plans analyzed had been formally adopted.

NEW OPTION PLANS

The principal provisions of the twenty-five new plans stick closely to the pattern set in the 125 restricted plans previously analyzed and reported by the Board—the first group in September, 1951,[1] the second in May, 1954,[2] and the third in August, 1956.[3] But there are variations and some innovations. Provisions of the new plans are tabulated on pages 70-72. Fifteen industries—twelve manufacturing and three nonmanufacturing—are represented in the twenty-five plans. The breakdown is as follows:

Industry	*Number of Companies*
Manufacturing	
Automobiles, trucks and parts	3
Chemicals	2
Electrical machinery and equipment	4
Furniture and fixtures	1
Instruments and related products	1
Nonelectrical machinery and equipment	1
Paper and allied products	1
Petroleum products	1
Pharmaceuticals	1
Primary metals	3
Stone, clay and glass products	2
Textile mill products	2
Nonmanufacturing	
Entertainment	1
Retail trade	1
Transportation	1
Total	25

Life of Plans, Life of Options

The Internal Revenue Code imposes no limit on the life of a plan. A company may let its plan continue in effect until all options are exercised, or terminate it on a fixed date of its own choosing. Eleven of the plans analyzed have an indefinite life. The remaining fourteen have fixed termination dates—five after ten years, seven after five years, one after three years, and another after approximately six and one-half years.

However, the Code does place limits on individual options. For example, in the tabulation on page 70, the outstanding voting stock can receive options for not more than five years. All others can be granted options exercisable within ten years. Within these limits, the company is free to fix the term of individual options. For example, in the tabulation on page 70, Plan A places a two-year limit on the life of an option; most of the others provide for a ten-year life. Of course, executives owning more than 10% of the company's stock in these companies do not qualify for ten-year options. Some plans state this specifically; others cover it with a general statement to the effect that "the plan is intended in all respects to comply with the requirements of Section 421 of the Internal Revenue Code of 1954."

Authorized Shares

The number of shares authorized for optioning in the new plans shows an increase over the number authorized for the plans reported in 1956.[1] The percentage of total outstanding stock available for options ranges from 1.1% to 9.6% in the twenty-five new plans. The distribution follows:

1.1% — 3.0%	6 plans
3.1% — 5.0%	5
5.1% — 7.0%	9
7.1% — 9.6%	5

The low of 1.1% is in the plan of an office equipment manufacturer and is equal to 50,000 shares. The high of 9.6%, which equals 144,480 shares, is in a plan amending the original 1951 plan of an asbestos products manufacturer; but the amount of stock authorized includes shares not used in the earlier plan. The largest number of shares is 4 million in a plan of an auto manufacturer, and equals 1.4% of the total outstanding stock. In number of shares, this plan approximates the highest—4,200,000 shares equal to 4.85% of outstanding stock—reported by the New York Stock Exchange among its listed companies.[2] The fewest number of shares is 20,000 (7.2% of outstanding stock) authorized in a petroleum products company's second plan; the first, adopted in 1951, had run out.

Stock Prices

The Code permits stock covered by options to be purchased for as low as 85% of fair market value, yet only one of the twenty-five plans prices stock at less than 95% of fair market value. This practice is a continuation of the trend reported in 1954 and 1956. Stock is priced as follows in the twenty-five plans:

- At or not less than 100% .... 7 plans
- At or not less than 95% 17
- At 90% 1

Included in the not-less-than-100% group is the plan of a motion picture producing company that prices the stock at the "closing price" on the date of

[1] "Executive Stock Ownership Plans," *Studies in Personnel Policy*, No. 120, 1951.

[2] "New Stock Option Plans," *Management Record*, May, 1954, p. 178.

[3] "Stock Options Continue in Vogue," *op. cit.*

[1] *Ibid.*

[2] "Stock Ownership Plans for Employees," New York Stock Exchange, New York, December 17, 1956.

the grant, "plus the sum of $1 per share." And an auto manufacturer in the not-less-than-95% group adjusts the price "to the next higher multiple of 25 cents."

Size of Grants

Eight plans in the group do not spell out the number of shares that may be optioned to individual executives during the life of the plan. Eleven plans, on the other hand, state the specific size of grants. The remaining six qualify the maximum shares-per-grant in various ways.

A primary metals company limits the total option to the number of shares having a value not in excess of the optionee's annual compensation. This is done by limiting the size of each grant to 30% of compensation, divided by the current market value of the stock. Since this plan expires three years after the date of the option, the total value of all options granted to any one executive could not exceed his average annual salary for the three-year period.

Another primary metals company limits grants to the number of shares equal to total compensation—salary and incentive bonus—divided by the current market value of stock, or to 10,000 shares, whichever is less. If no ceiling were imposed in this plan, an option could exceed 10,000 shares because of unusually high bonuses paid to executives. For example, when the company's stock was selling for somewhat less than $35 per share during 1957, a few top executives could have been beneficiaries of options in excess of the maximum.

An asbestos products company makes grants at the rate of 125 shares per $1,000 of annual income, with no reference to the current market value.

The remaining three plans qualify the maximum size of grants on a time basis, limiting the number of shares to (a) not more than 6,666 in any one year during the five-year life of the plan, (b) 2,000 but not more than 5,000 during the life of the plan, and (c) not more than 2,000 in the initial grant and an aggregate number that is not in excess of 5% of the total authorized during the life of the plan.

Waiting Period

Twenty-two of the plans impose a minimum waiting period before an option is exercisable. The time varies from a low of six months to a high of three years. In over half the plans the wait is fixed between one and two years: eleven at one year, and five at two years.

Stock Purchase Limitations

In addition to limiting the size of grants and the time before optionees may make the initial purchase, some plans restrict the number of shares that may be picked up in subsequent purchases. About half the plans spell out the number of shares exercisable over the life of options. Four plans limit purchases to not more than 10% per year of the total granted for the ten-year life of the options. Four other plans fix the purchases at not more than 20% per year. Another four plans vary the percentage of shares that may be purchased from year to year. For example, the plan of a transportation firm permits the purchase (after a one-year waiting period) of not more than 30% in the initial lot, 60% during the next two years, and the unexercised balance during the last six years of the option's life.

Instead of ceilings, three plans set floors on stock purchases. Two of them require optionees to purchase not less than a round lot of 100 shares. The third plan sets the minimum at twenty-five shares.

Terms of Payment

All twenty-five new plans call for payment in full on the delivery of stock by the company. Some of the

Preferential Tax Treatment

To qualify for preferential tax treatment, a stock option plan must be a "restricted" plan. This means it must conform to the following requirements of Section 421 of the Internal Revenue Code:

- Option grants are to be limited to employees of the issuing corporation or its subsidiaries.
- Stock is to be purchased by optionees while actively employed, or within three months after termination of employment or retirement.
- Option grants are not transferable, except by inheritance.
- Terms of options granted on or after June 22, 1954, are not to exceed ten years—or five years in the case of optionees owning more than 10% of the outstanding voting stock.
- Employees may not sell stock within two years from the date of the option grant, nor within six months from the date the stock is acquired.
- Stock prices may not be less than 85% of the fair market value, or less than 110% of such value in the case of employees owning over 10% of the outstanding voting stock.

Variable Price Stock Options

Originally, restricted stock option plans had to set the option price as that of the stock on the date of the grant. This requirement was amended in 1954. Now, the option price can be based on a formula related to the stock's fair market value on dates subsequent to those of the grant. The formula offers the alternative of stating the fair market value as:

(*a*) The price of the stock on any given date over a six-month period, including the date the option is exercised; or

(*b*) The average price of the stock over a period of six months, or any shorter period within such six months.

plans specifically state that the company is prohibited from making loans to optionees. This is a usual practice, stemming from laws in many states which hold corporate officers and directors liable for such loans. However, a few plans do provide for installment purchases; and two of them even allow for company loans to optionees.

In one plan allowing for installment purchasing through payroll deductions, optionees choosing this method may supplement these deductions with cash deposits. Individual accounts are credited with interest at the rate of 3% per annum compounded every six months. Another plan makes it mandatory for each optionee to authorize payroll deductions, over a thirty-five-month period, within thirty days after he gets a grant, or his option terminates.

The plan of a drug company offers this novel twist to the payroll deduction feature:

"The plan requires payment in full in cash upon each exercise of an option. [The president] intends to make it a condition of any option that the participant agree to the company withholding a portion of his annual compensation for deposit for the purpose of having funds available in the future with which to exercise his options."

Two of the new plans permit the company to lend optionees a portion of the purchase price. While the plans differ, they have these features in common:

- An optionee interested in a loan is required to make a minimum down payment.
- The optionee agrees to pay off the loan, plus interest, within a specified time.
- Stock is issued in the optionee's name, but is held as collateral by the company until the loan is paid in full.
- Stock dividends are credited to the optionee's account as long as any part of the loan remains unpaid.

The loan provision in the plan of a transportation company reads as follows:

"If the employee so elects, upon the exercise of his option in whole or in part, the company will advance up to 75% of the purchase price of the shares to be acquired, such advances in the aggregate are not to exceed the annual salary of the employee. Such advances shall be repaid by the employee in equal monthly or semimonthly installments over a period of twenty-four months from the date of purchase or sooner if the employee desires. Until full payment for the shares purchased is received, the stock certificates will be retained by the company as collateral. Dividends on such shares will be credited to the employees concerned and interest at the rate of 4% per annum will be charged on the unpaid balance."

In the other plan—adopted by a building materials company—an optionee qualifies for a loan by entering into a "purchase agreement" with the company. His down payment must equal $1 for each share he wishes to acquire, and the company advances the difference. Shares covered by the agreement are issued in the name of the optionee but are held as collateral until the loan is paid off.

Payments on the balance of the loan are to be completed within one year from the date the loan was advanced, with interest at the rate of 2%. These payments "shall be applied against the purchase price of particular shares or prorated over all shares not fully paid for, as the employee may direct. As shares are paid for in full they shall be delivered to the employee. The committee may fix the minimum number of shares (but not more than 100) which may be delivered at any one time."

Dividend payments are handled differently in this plan. One-third of whatever dividends become due are withheld by the company for each share it retains as loan collateral. These withheld dividends are credited to the optionee's account for interest due on the loan. What's more, if the shares covered by the agreement are not paid for in full by the one-year deadline, the company may purchase or sell them at current market prices to satisfy whatever principal and interest remain unpaid. Any proceeds left from the sale, after satisfying the loan requirements, are returned to the optionee.

NEW TWISTS IN OPTION PLANS

In addition to the provisions already covered, a few new plans contain some novel stock option twists that are worthy of note. Two of them appear in the plan of a motion picture producing company. The first requires that each optionee notify the company, within five months from the date of his option, whether he intends to exercise the option. The second obliges optionees to agree to a reduction in salary for a period of at least two years. Here's the language defining the obligation:

"Each executive to whom shares are optioned shall, if required by the corporation, enter into an employment agreement which will require his active service for a period of not less than five years subject to termination only in the event of death, and his compensation for his active period of employment shall, at the time the option agreement becomes effective, be reduced per annum by a sum equal to 75 cents per share of common stock optioned to him. Thus if options are granted on 200,000 shares, the aggregate annual reduction in compensation would be $150,000. Any reduction in salary shall be for at least two years, and in the case of the president of the corporation until December 31, 1960."

Forced Savings

The tabulation on page 71 includes the plan of an office equipment manufacturer that was adopted in 1956. But company stockholders, at the regular annual meeting in 1957, approved a second plan that is not reported in the tabulation. This second plan is

(Continued on page 69)

When Employee Turns Author

In many ways, companies are encouraging their employees to write for technical, professional and trade publications

WITHIN A BRIEF period of eighteen months, technical writing has more than quadrupled at the Convair Division of General Dynamics Corporation. Engineers and technicians who never before had written anything for publication are having the satisfaction of published by-lines. And the company is delighted at this public recognition of its personnel.

Most of the credit for the keen interest in writing for scientific, technical and professional journals and for trade publications is attributed to Convair's Writing Award Fund, which was established in May, 1956, to spark the preparation of such articles. All employees of the company's five operating divisions are eligible for awards except those whose normal duties include the preparation of articles designed for noncompany publications.

Convair employees write their articles on their own time. But for any article that is accepted by a recognized trade or technical publication, the company pays the author or authors $150 at the time of acceptance. However, it is understood that the author accepts no remuneration from the periodical that publishes his article. This problem does not often arise as many technical and professional magazines do not pay for articles; or if they do, it is often no more than a token payment.[1] However, if the magazine should send a check, the author sends it back.

Subject matter is restricted to material of specific interest to the aviation industry, allied fields such as electronics and thermodynamics, and subjects such as plant engineering and personnel management, with which the industry is normally concerned.

Articles must be at least 1,500 words long and illustrated by whatever charts, graphs, sketches, photographs and engineering drawings are necessary. In Convair at San Diego, a group in the service publications department gives authors editorial assistance if they wish, and helps them in preparing art work.

The Writing Award Fund program is administered by the publicity department of the general office public relations department. Authors are encouraged to submit their writings through this department, which will follow the author's preference in selecting the magazine to which the article is first to be sent.

All articles to be submitted for publication are checked by the writer's immediate supervisor, by engineering industrial security and by the division public relations office, which guards against premature disclosure of proprietary or patentable information.

Objectives of the program are "to enhance the author's professional reputation; to foster Convair's reputation as a forward-looking, progressive company, through dissemination of releasable information on new techniques, designs and the like; and improvement in the quality of articles submitted for publication."

The company believes that all of these purposes are being achieved. In the first ten months of 1957, nearly 200 scientific and technical articles were processed under the award plan. Of these, 103 were accepted for publication. While this would appear to mean an acceptance rate of approximately 52%, corporation executives explain that probably it was more than 90%, since nearly seventy articles at the end of October were still on editors' desks. Of the 103 that were accepted for publication, 95% were accepted by the first publication to which they were offered.

ARTICLE AWARDS AT WORTHINGTON

The Worthington Corporation has been rewarding its employees for articles on application of products, new developments and material of interest to prospective users for nearly twenty years. This is done through an Article Awards Plan administered by a special committee. The article awards committee consists of the general marketing manager, a headquarters staff engineer, and a representative of the company's advertising department.

If an article is approved by the committee, the company pays the author an initial fee of $50. If the article is then published in one of the company's external magazines or by a noncompany engineering or trade magazine, the author receives an additional $25. And he is paid another $25 each time the article appears in any recognized publication. Sometimes, by arrangement, an article is published simultaneously in one of the company's own publications and by an outside magazine. Not infrequently, articles are reprinted in other magazines, and some are translated and appear in the foreign press.

If an article represents an unusual amount of research and its content is especially important, the

[1] Some periodicals charge for the publication of technical papers.

company will sometimes supplement the basic $50-$25 fees. In rare instances a lesser amount has been awarded for an article involving only a little time or effort. Under this plan if the magazine that publishes an article makes any payment, the author is permitted to accept it, even though he has received an award from the company.

There is no set length for articles; it depends on the subject matter. The average length for a technical article is between 2,000-3,000 words.

While authors are expected to write their articles on their own time, the company's advertising department lends assistance in final editing and placing. Occasionally the company will actively promote preparation of needed articles by qualified technical personnel. Addresses delivered at meetings of technical associations and published in their journals are considered articles if participation is purely voluntary and publication of proceedings is not routine. One qualification is that some commercial relevance must be evident.

The company considers the investment in its award program small in consideration of the returns in prestige to its personnel and the publicity the company receives. Well over a hundred articles a year written by employees have been published as a result of the awards. About half of these were new articles in non-company publications. The rest appeared in company magazines or were reprintings.

One of the problems this plan has had to deal with is convincing engineers that they can write. "Trade publications do not require a brilliant style of writing," Worthington encourages; "Just stick to the facts and interpret them clearly and interestingly. Start at the beginning, discuss your facts and wind up with a summary or conclusion. Let pictures, curves and charts carry as much of the story as possible. Readers always look at pictures first." If the author will provide the facts, the magazine editor will do the polishing.

To get employees started with pencil or typewriter, subjects are suggested for articles. They include:

Applications of particular interest because of specific problems for which the company supplied the solution.

Job story or experience record of an installation.

Advantages of Writing Technical Papers

I. PROVIDES A RECORD OF WORK DONE.
  a. Provides a record of others' appraisal of writer's work.

II. EXTENSION OF KNOWLEDGE IS OF BENEFIT TO MANY.
  a. Puts the writer in touch with others having similar interests.
  b. Stimulates constructive discussion.
  c. Stimulates study of projects in progress.
  d. The more experienced educate the less experienced.
  e. Makes available information that is timely.
  f. Permits indexing of scientific progress and screens information for busy engineers.
  g. Establishes a bibliography.

III. BUILDS PERSONAL PRESTIGE, GRANTS RECOGNITION TO INDIVIDUAL.
  a. Pride in job well done.
  b. Technical reputation enhanced.
    1. Writers become consultants.
    2. Expands reputation, perhaps even to international scale.
    3. Salary aspects.
    4. Used as reference in:
      Professional registration
      Application for position and in recruiting
      Application for membership in technical society
      School alumni history
      "Who's Who in Engineering"
      National roster of engineering and scientific personnel
      Etc.
  c. Provides contact with superiors in own company.
    1. Improves opportunities for future contact.

IV. PROMOTES INDIVIDUAL SATISFACTION.
  a. Gives writer better understanding of the literature on the subject. Digs deeper than normally.
    1. Self-educates to orderly thinking.
  b. Opportunity to attend meetings at which paper is presented.
    1. Benefits from meeting and hearing other participants.
  c. Writer is eligible for awards in competitions.
    1. Papers of outstanding merit eligible for cash awards, medals and certificates offered by scientific and technical societies.
  d. Assists in patent procural.
    1. Publication establishes date of public knowledge.
  e. Improves self-expression.
    1. Oral practice in persuasion—selling ideas.
    2. Practice in expressing ideas in writing.
  f. Aids standardization.
    1. Promotes standard nomenclature.
    2. Promotes standard definitions.
  g. Aids in establishing basis for avocation.
  h. Author may receive payment from publisher.

The above list was developed by C. F. Savage, Consultant, Engineering Professional Relations of the General Electric Company.

Savings or better production achieved through use of the company's products.

Engineering subjects, keeping in mind the interests and problems of the reader.

"How It Works"—an elementary article on how apparatus functions.

Design and test considerations, provided they have a bearing on how the product is made better for the user.

Installation, maintenance and operation of apparatus.

Emphasis in Worthington's plan is on encouragement of writing articles that provide information of value to users of the company's products. Reprints of published articles frequently are sent to individuals on the company's mailing list, and salesmen hand them to customers and prospective users.

Worthington also encourages talks and articles of general technical interest not related specifically to company sales interest or products, and which do not come under the Article Awards Plan.

DRAVO STARTS NEW PLAN

Dravo Corporation in Pittsburgh adopted a new policy January 1 of this year in regard to encouraging the writing of articles for trade, technical and business publications. An award program which was based on competition is being replaced by a plan under which awards are made for *all* articles written by company personnel that are printed in business, general or trade publications or in official journals or transactions of professional or trade associations.

Under the former Dravo Technical Papers Competition, a program begun in 1939, from five to eight winners were selected each year, with annual prizes totaling $1,200. A committee of junior management personnel judged the entries.

To qualify for a prize, each paper or article had to satisfy several requirements. It had to be delivered as a talk before a recognized professional group or published in an accepted magazine, journal or newspaper. (The company's own external magazine was included in this description.) Topics were restricted to subjects relating to Dravo operations, and the material was to be presented in a manner to build prestige for the company. The company's advertising department offered help in preparing articles and in placing them with suitable publications.

Both internal and external publicity were used in promoting the writing of papers. Each year a new promotion piece was created and distributed to employees. Winners received their checks at a large Spring meeting of one of the employee organizations.

This program produced satisfactory results in the opinion of Dravo executives. During the last ten years, more than two hundred papers were submitted, representing either talks or published articles.

However, experience with the contest revealed several shortcomings that were considered serious. One was the judging—with frequent differences of opinion as to procedures. Another was the fact that the plan provided no reward for any contestant who did not receive a prize, even though an editor had considered his paper worthy of publication.

The new program of editorial awards was devised to meet these objections. Under it, awards are made only for published papers. None are given for papers that are delivered orally, unless they are subsequently published. All personnel regularly employed by the company are eligible except elected officers, members of the advertising department and other employees whose duties are concerned with the preparation of articles for publication. The vice-president, personnel and public relations supervises the program, and the advertising manager has direct responsibility for administration. Manuscripts are submitted to the advertising department for editing and preparation for publication. Help is given in the selection and preparation of photographs, illustrations and charts. The advertising department reviews the papers for conformity to company policies and obtains all necessary clearances.

While papers must treat of a subject relating to some phase of company operations, they need not be confined to technical subjects. They must be "authored substantially" by the writers.

When the advertising department certifies that a paper which conforms to the rules of the program has been published, the author receives a check from the company for $75. It is presented with a certificate recognizing his contribution to the program by the general manager of his division. An author may keep any reimbursement that he receives from a publication, in addition to the award from the company. Any employee who accepts such payment signs a form letter acknowledging the payment and stating that title to the article remains with Dravo.

Through its new program, the company hopes to enhance efforts in sales, recruiting and communications; to stimulate interest in the company's engineering, construction and research activities; and to publicize the professional and technical competence of company personnel.

TECHNICAL EDITOR AT CARBORUNDUM

Assigning articles to employees, helping with their preparation and arranging for their publication at the Carborundum Company is the responsibility of a technical editor who reports to the head of the public relations branch of the company's marketing division.

That this company is very definitely interested in promoting the writing of technical articles is made clear in the following policy statement, which applies to the company's subsidiaries in the United States and Canada as well as to personnel at headquarters in Niagara Falls, New York:

"It is the company's policy to promote publication of articles by qualified personnel in the most effective media; to maintain and foster the company's reputation for excellence of products, policies and services and to publicize the technical and professional competence of the company's personnel."

The technical editor studies the needs of editors and tries to meet them as to both content and format. Employees may write articles on their own initiative; they are not always assigned. But all articles have to be channeled through the technical editor, who obtains necessary clearances and handles all arrangements with the magazines or newspapers.

Any payment that the publication makes to the author reaches him through the public relations branch. If the magazine does not pay for articles, the company pays the employee a sum dependent upon the originality and length of the article, the extent of independent effort the author has put into it and how effectively he has presented his material.

The company also supplements payments made by publications when it is believed that the amount is inadequate. Addresses that have been delivered at meetings of technical and professional societies and published in their journals are considered articles, just as those that appear in trade publications.

The amount of pay or supplemental pay provided by the company is at the discretion of the public relations manager. Payments recently have been averaging about $25 for each 8 by 11 published page.

As in the other companies, members of the public relations branch and others who are employed as writers are excluded from company payments. However, employees are permitted to write their articles on company time, if they wish.

Under this program, seventy-one articles were published during 1957, averaging four pages in printed form. These were written by forty-five Carborundum employees and appeared in fifty different publications. Fifteen additional articles were accepted and are awaiting publication; eighty-four more are in various stages of preparation. For a company of Carborundum's size (approximately 7,000 employees and $105 million sales) this was considered a very favorable response to the company's promotion efforts.

More than 100,000 reprints of published articles were ordered by the company last year for distribution to salesmen, sales engineers, distributors or customers, depending on the type of article. Each operating division, under staff guidance of the public relations branch, budgets for article payments and for reprints for its own use. The public relations branch budgets for all functional staff divisions.

DISTINCTION MADE BY WESTINGHOUSE

Westinghouse Electric Corporation makes a distinction in technical manuscripts written by its employees. There are (1) "papers" for technical and scientific societies that are primarily concerned with professional development; and (2) articles for technical and trade magazines that are published by business organizations for profit. Because of the "professional" versus "business" characteristics of the two groups, the company has established different procedures for handling them.

Westinghouse wants its engineers to take part in the work of technical societies—to belong to them, to participate as speakers and to have their talks appear in the scientific journals. The company's policy in this regard is reproduced in the accompanying box.

To encourage this type of participation, the company's office of association activities offers employees assistance in the preparation of their papers. Help is given to determine the suitability of the material and in the development of the topic. Usually a professional society prefers to deal with its individual members directly, but occasionally the company's engineering

TECHNICAL LEADERSHIP

Acknowledged Engineering Leadership is a cornerstone of our company's business success. To improve steadily our professional standing in industry, Westinghouse Management believes that:

1. We should have active participation in leading technical societies at the local and national level by our qualified technical personnel.

2. Each significant technical development should be recorded as part of the permanent engineering literature.

3. Any employee who regards himself as a member of the engineering profession has a personal responsibility to support actively at least one technical society.

A. C. MONTEITH
Vice President of Engineering

Policy Statement of Westinghouse

manager will assign a subject to an engineer, if he believes a particular development merits being published in the permanent society literature.

Papers are cleared before release through a formal centralized review procedure. The author may write on company time, if he wishes; however, because of the nature of the writing, distractions are extremely disturbing, and most authors prefer to prepare their material after office hours.

Westinghouse makes no payment for society papers that are published. The company believes that personal professional advancement is sufficient incentive.

Employees who write articles for technical and trade magazines—the ones devoted to advancing the profit-making interests of their subscribers—are helped by the technical information section of the headquarters information services department. This is the section that publishes the company's magazine *Westinghouse Engineer;* it also places feature articles in business, professional and trade magazines and sends technical information to college engineering magazines.

Assistance is given at the request of the author, regardless of the origin of the idea for an article. A topic occasionally is assigned when technical information believes a development merits disclosure in one of the technical magazines.

It is the responsibility of technical information to obtain clearances. Each manuscript is cleared with the engineering manager, to be sure the facts are correct; with the sales manager, to be sure there is no conflict with sales policies or plans, and that, where a customer is involved, approval is obtained for the statements made; with the patents manager, to be sure no patentable ideas are overlooked and that there is no infringement of patents held by others than Westinghouse; and by the policy manager, to be sure that the information conforms to company policy and good business practice.

Authors may write on company time. But again, the distractions during the working day are usually so numerous that most article writing is done at home, evenings or weekends.

If the magazine pays for articles, the author is permitted to accept the payment. If the magazine does not pay, the company gives the author an honorarium on the basis of the printed page, measuring thirty column inches. The rate is $20 for the first page; $15 for the second; $10 for the third; $5 for the fourth; and $2.50 for all pages in excess of four. Charts or photographs are included in figuring space. The company isn't particularly interested in having the articles long—therefore, the graduated, rather than uniform, rate per page.

The wider readership of the trade publications, which reach customers and others than technicians in a limited field, is one of the reasons why the company gives an honorarium when articles are printed in this type of magazine and does not do so in the case of scientific journals.

When an article is commercially significant, reprints are purchased and are distributed to the sales regions.

PART OF JOB AT GENERAL ELECTRIC

In the General Electric Company, which is a decentralized organization, the amount of encouragement given engineers to write for technical publications varies in the different departments. The engineering manager of each operating department (each is essentially an independent business) usually sparks the program for his part of the company.

General Electric managers believe that there is a decided advantage in having articles appear in print, signed by the company's scientists and engineers. Technical societies and other organizations are inclined to invite as speakers men whose names have appeared in print. It is a snowballing process. The appearance of one article leads to requests for others; and with each article, the author becomes better known, enhancing his company's prestige as well as his own.

In many of the company's operating departments, writing articles for technical publications is considered a part of the engineer's job, to be done on company time. It is sometimes even included in the position guide (a written description of duties). The engineering manager at one location, for example, has set up an informal quota system. Publication of articles is noted in the engineer's progress report and merit rating interview.

In some operating departments, engineers are expected to write their articles outside of working hours. But whether they write on their own or the company's time, they are given a large amount of company assistance in the mechanical preparation of their articles. Company librarians supply bibliographies and other reference material. Company typists type manuscripts. The plant photographer supplies photographs. Company draftsmen give professional help in preparing graphs, charts and other illustrative material. The advertising and sales promotion unit of the marketing section lends editorial assistance, obtains clearance, and is the direct contact with the magazine editor. Approvals must be obtained from engineering, marketing, legal and patent in all instances; and, if the subject matter involves security, security clearance is also obtained.

The company makes no payment for articles that are published in noncompany publications, although it does pay for articles that appear in its own engineering and scientific magazine, the *General Electric Review*. If an outside magazine or journal pays, the advertising unit turns over any compensation received to the author.

(Continued on page 63)

Who's Interested in Personnel Administration?

The more than a thousand people who have attended the Board's two-week course show that line as well as staff are well represented

IT SEEMS SAFE to say that yesterday's boss who believed in the "treat-em-rough-tell-em-nothing" philosophy is becoming as extinct as the dodo. Today, even the most domineering, egoistic manager is likely to sense that autocratic bossism, as contrasted with enlightened leadership, produces grudgingly given effort instead of willing effort.

If this is accepted as fact, it seems to follow that managers in general throughout the United States and Canada are growing more and more interested in the contribution that modern personnel administration can make to executive leadership. Certainly, The Conference Board's experience with its two-week personnel course bears this out.

During the past six years, six hundred companies have seen fit to spend considerably more than a million dollars (including transportation, salary, tuition and living costs) so that more than a thousand of their management people might study modern personnel administration in a systematic, organized way.

WHO HAS ATTENDED?

The participants in the twenty-three sessions have ranged from young, inexperienced trainees upward through the entire breadth of the management hierarchy to the chief executive officer. Evidently, concern with personnel administration is not limited to the personnel department; almost a third of the participants came from managerial positions outside "personnel." As indicated in Table 1, these nonpersonnel participants represent the whole gamut of corporate functions.

For example, the eighty-seven executives classified as "plant management" include men with such titles as production manager, plant superintendent, works manager, vice-president of manufacturing, operating vice-president and branch manager. The seventy-two executives classified as "general administrative management" include men with such titles as chairman of the board, president, executive vice-president, assistant to the president, corporate secretary, regional vice-president, and general manager. In fact, some companies that initially sent personnel people are now purposely selecting one or two men for each session who are nonpersonnel executives.

Seven hundred and forty participants came to the course from personnel departments. Two hundred and thirty-eight of these were the top personnel officers of their companies; one hundred and fifteen were the personnel officers of divisions or branches; one hundred and thirty-nine were assistants to the personnel administrator. At the other extreme, were eighty young men and women without much business experience whose companies wanted them to get a broad, philosophic look at personnel administration at the outset of their personnel careers.

Other major functions within the field of personnel administration that have been liberally represented include training and executive development, wage and salary administration, organization planning, employment, employee benefits, safety, communication, personnel counselling, and research.

When one examines the companies from which the participants have come, the answer to "Who is interested in personnel administration?" seems to be: "Executives in every conceivable kind of business and in every location." Even a cursory glance at Table 2 reveals this in respect to the company's type of business; and regarding geographic distribution, the participants have come from practically every state and province of the United States and Canada. Outside the continental limits, companies in Africa, the Middle East, Europe, and South America have also sent representatives.

WHY DID THEY ATTEND?

The specific reasons why the participants came to the course are doubtless as numerous as the total number of the people involved. A significant number (including those in personnel administration as well as those in other staff and operating jobs) have admitted that they came because they were "told" to come. But it is evident that the companies who sent representatives, or the individuals that requested that they be allowed to attend, had one or more of the following reasons:

1. *To become versed in some of the latest personnel techniques in training, communication, testing, compensation, and collective bargaining.* For many persons involved in the personnel function, this was the main attraction.

2. *To gain a comprehensive picture of the entire range of activities encompassed in personnel administration.* Some companies that sent line people seemed

to have this as the main concern. Their objective was to allow the line people to gain a greater appreciation and familiarity with the staff personnel function. And companies that sent people from the personnel department whose main function had been restricted to one field of personnel—such as testing, wage administration, etc.—also indicated this was the main purpose. In other cases, both the company and the individual viewed the course as a training vehicle preparatory to the individual's move into the personnel field.

3. *To reappraise the personnel function and the concept of personnel administration; to provide an opportunity to back off and look at the forest instead of the trees.* Some of those attending whose background indicated long experience with all phases of personnel administration indicated this as their prime interest.

4. *To get back to fundamentals, to seek a philosophic basis through which personnel administration can be viewed.* High-level line managers, heads of personnel, and company chief executives had this objective in attending the course. It also became apparent that the companies that have sent, and are continuing to send, nonpersonnel executives to the course have done so because they believe that these people will be better managers by gaining understanding of both the philosophy and method of modern personnel administration.

WHAT DID THEY GET?

After two weeks of lectures, discussions, think sessions, and bull sessions, what do the conferees take away with them?

Some can and do give quick answers: "Ask me ten years from now," is a frequent response. "I'm not sure, but it certainly made me think," is another typical response. A few have said, "I'm leaving now knowing that our company still has a long way to go." Many have said: "I've learned a lot—but I wish my boss had come instead of me."

On analysis, it appears to The Conference Board that what the conferees take away with them is often quite different from what they expected. This is understandable, considering the varied motives for attendance. But the common denominator apparent in the reactions of most of the thousand participants is: "We gained perspective." A few feel, however, that perspective at this stage of their work is less valuable than knowing, for example, the relative merits of various types of job evaluation plans and other concrete personnel information.

Most of the participants had expected to witness an elaborate parade of unrelated personnel techniques. In this they were right to a slight degree, since there are, for example, five separate sessions on compensation, six on collective bargaining, four on employee benefits and income security, and individual sessions on such techniques as training, executive develop-

Table 1: Course Participants According to General Functions

General Functions	Number of Participants
Personnel administration	731
Plant management	87
General administrative management	72
Financial management	40
Public relations	24
Office management	22
Miscellaneous functions	19
Engineering, technical and research	16
Sales management	12
General management trainees	7
Advertising	6
Legal	4
Traffic	4
Purchasing	3
Total	1,047

Table 2: Number of Participants and Companies According to Type of Business

Type of Business	Number of Participants	No. of Co's Represented
Manufacturing		
Mining	8	5
Construction	4	4
Lumber	9	7
Stone, glass, clay	42	22
Primary metals	58	32
Metal fabricating	43	34
Nonelectrical machinery	75	52
Electrical machinery	29	19
Transportation equipment	39	20
Professional and scientific instruments	17	13
Miscel. manufacturing (durable)	9	8
Food	54	31
Tobacco	10	6
Textiles	33	20
Paper	63	36
Publications	11	9
Chemicals	123	64
Petroleum	91	27
Rubber	14	9
Leather	1	1
Total manufacturing	733	419
Nonmanufacturing		
Railroads	25	15
Water transportation	6	6
Air transportation	6	5
Warehousing	2	2
Communication	29	12
Utilities	96	35
Wholesale distribution	1	1
Retail	18	12
Banking	51	33
Investment	14	10
Services	16	13
Government	1	1
Unclassified	8	7
Total nonmanufacturing	314	177
Grand Total	1,047	596*

* 175 companies have sent between two and ten participants; twelve companies have sent between ten and fourteen participants.

ment, employment, testing, performance appraisal, economic education and attitude surveys.

The graduates say, however, that the greater value —the perspective—came from something quite different. For the course is designed to examine the kind of personnel administration that stems from a deep management philosophy, one that is guided by principle rather than by expediency. This they found quite sobering. A broadened viewpoint is attributed to the opportunity to examine such fundamental and essential elements of sound human relations as corporate policy, organization principles and planning, communication, and consultative supervision. And the way in which these fundamentals are interwoven throughout the entire panorama of personnel techniques and procedures helped clarify the scope and purpose of these elements of personnel administration.

WHAT ARE THEY DOING NOW?

Since the faculty of the course is composed of the Board's research specialists, the participants become familiar with Conference Board services and facilities as well as with many of its key staff members. The graduates maintain their contacts with these staff members by using the Board's facilities after they return to their companies. And it is through these requests for information and help that the Board is better able to evaluate the long-term effect of the course on the participants.

These requests have covered a wide range of subjects, techniques and problems in the field of human relations. By no means can all of these be traced back to the influence of the personnel course. But when a company that has had a representative at the course suddenly begins to define its real objectives, when it begins for the first time in its history to write down its philosophy of management or its basic policies, when it begins to do a systematic job of getting its organization structure in shape, or when it drastically enlarges its concept of internal communications, then THE CONFERENCE BOARD feels justified in the assumption that its personnel course is largely responsible.

GEORGE V. MOSER
Division of Personnel Administration

Management Bookshelf

The Collective Bargaining Agreement: Its Negotiation and Administration—This monograph-type study, according to the author, is based upon the assumption that collective bargaining has reached a stage of development "where rational argument based upon facts determines the substance and procedures of bargaining." Hence, after a brief discussion of trends in labor relations, examination is made of wage and nonwage issues, and of the preparations necessary before entering into bargaining negotiations. And mention is made of some of the problems arising from administration of the collective bargaining agreement. *By Fred Witney, Indiana Business Report No. 25, Indiana University School of Business, 1957, 137 pp., $1.75.*

Research in Industrial Human Relations—This volume is an attempt to appraise some of the findings of human relations researchers. It is divided into four parts: the background of interest in human relations; the focus of human relations research in an urban-industrial setting; an analysis of industrial organizations; and trade union organizations. The contributors are James C. Worthy, Solomon Barkin and William F. Whyte. As stated in the book's preface, the volume attempts to answer the question: "What do we know about the behavior of people at work and the circumstances that gave rise to management's interest in human relations?" *Edited by Conrad M. Arensberg et al, Industrial Relations Research Association Publication No. 17, Harper & Brothers, New York, New York, 1957, 213 pp., $3.50.*

Engineering Manpower: How to Improve Its Productivity—A group of students at the Harvard Graduate School of Business Administration (some of them qualified engineers) decided to see what could be done to alleviate our continuing shortage of engineering and scientific manpower. They asked industrial executives, professional societies, union leaders and governmental officials for suggestions, weighed the answers, and now report their findings in this book. The result, they admit, is no pat solution. But they feel that what they found may open the door to ideas for improving the practices presently being followed with regard to the hiring, stockpiling, training, and compensating of technical personnel. *By Students at the Graduate School of Business Administration, Harvard University, Boston, Massachusetts, 1957, 162 pp.*

Better Business Communication—Management is communication, according to the author. He discusses seven skills of communication in business—thinking, doing, observing, talking, listening, writing and reading. There are chapters on dictating, telephoning, letter writing, report writing and making a speech. An informal presentation, with many examples taken from everyday business procedure, makes the book especially readable and practical. *By Dennis Murphy, McGraw-Hill Book Co., New York, New York, 1957, 306 pp., $4.50.*

Labor and the Supreme Court—An analysis of the legal status of activities pertaining to labor-management relations, as defined in Supreme Court decisions, is provided in this book. Among the subjects covered are the right to strike, boycotts, picketing, featherbedding, arbitration and seizure. Each topic is dealt with in a separate chapter, together with the author's comments and conclusions. *By Albion Guilford Taylor, College of William and Mary, Williamsburg, Virginia, 1957, 178 pp., $2.*

The UAW's 1958 Demands

ALTHOUGH CONTRACT expiration for the automotive industry's "Big Three" is still more than three months away, UAW President Walter Reuther focused the country's attention on his announcement, made to the public, of demands for a whopping big package and an unusual profit-sharing plan. At the same time he dropped previous proposals for a shorter workweek, which came as a surprise to many UAW officials. The substitution of the profit-sharing proposal also came as a shock; in previous years the UAW had come out strongly against profit sharing. The general feeling is that the UAW executive board and the convention accepted Mr. Reuther's profit-sharing proposal largely on their faith in his ability to use it to wrest concessions in the forthcoming negotiations.

SHARE-THE-PROFITS PROPOSAL

Some labor observers look upon the profit-sharing proposal as an attempt to take the public's eye off the UAW's long campaign for a shorter workweek. Others see the proposal as a move by Walter Reuther to offset the feeling of older Ford and General Motors workers that they lost considerably in 1955 when the union negotiating committee turned down Ford's and GM's offers to set up joint employer-employee stock-purchase and savings plans.

The new profit-sharing plan proposes that corporations—after meeting their basic wage costs, basic salary costs and basic dividends—share the profits among stockholders, workers and consumers on the following basis: one-half of the profits over 10% of net capital to go to the stockholders and executives; one-quarter to wage and salary workers; and one-quarter to consumers through a year-end rebate on the cars they have purchased.

The UAW said that under the plan the workers' share of "excess profits" could be allocated to any or all of the following:

- Additional wage increases
- Added hospital-medical insurance protection
- Added protection against short workweeks and layoffs
- Added protection for workers affected by plant and job movement
- Further pension improvements
- Additional paid holidays
- Lengthened vacations
- Any other purposes that the union deems advisable.

The UAW convention's debate on acceptance of Mr. Reuther's share-the-profits proposal lasted a day and a half. While there never was any doubt as to its outcome, since Mr. Reuther obviously had the votes, the debate was revealing. It showed that one reason for dropping the shorter workweek was the feeling of Reuther adherents that "they didn't have rank-and-file support" for that demand. And this was frequently expressed publicly and privately.

While the debate indicated practically unanimous backing for the union's basic economic demands, it also showed there were a considerable number of delegates with reservations about the feasibility of Mr. Reuther's profit-sharing proposal. These delegates pointed out that not all members of the union worked for firms that were making money. They said the plan was unfair, as the relatively well-off workers at such plants as General Motors would get bonuses, while hard-pressed workers in money-losing firms would get nothing. Some suggested that the excess profits of the wealthier firms be divided up among all UAW members instead of only among the workers employed in the prosperous firms.

One delegate pointed out that companies could defeat the union's excess profits concept by running up management salaries and other costs so that there would be no excess profits. Others felt that it did not make the kind of package they could bring back to their members.

The delegates favoring the share-the-profits proposal spent most of their time assailing the shorter workweek demand. They said that their members were already on a four-day workweek, and they wanted more money rather than a short workweek. Another delegate pointed out that his local already had difficulty with "moonlighters," and that a short workweek would only increase the number of people holding down two jobs.

Only a few of the delegates favoring Mr. Reuther's share-the-profits proposal actually spent time defending it. One who did stated his side of the argument succinctly. In reply to a previous speaker's charge that the share-the-profits proposal would make the workers capitalists, he said, "I don't care how we get it so long as we have more money." And another said that he "now agrees with Charlie Wilson—what's good for General Motors is good for us."

When the debate ended, the share-the-profits proposal was made part of the over-all economic bargain-

ing package. There was no minority report; therefore delegates had no alternative package to vote for. On a show of hands, the UAW bargaining package—including the share-the-profits proposal—passed by a wide margin.

In reply to a delegate's inquiry as to what will happen if the companies turn down the share-the-profits proposal, Walter Reuther assured the convention that the UAW bargaining committee had alternative packages prepared but that he wasn't going to reveal them unless it became necessary.

THE BASIC ECONOMIC DEMANDS

Practically unanimous agreement by the convention greeted the UAW's basic economic demands. These cover wage increases, improved supplementary unemployment benefits (SUB), contract revisions to protect workers displaced because of plant relocation, pension improvements, and improvements in hospital-medical insurance coverage for workers and their families.

Wage Demands

The UAW bargaining package calls for the following wage gains:

1. General Wage Increase. First and foremost is a call for a general wage increase "applied on a percentage basis." The UAW says that this wage increase, "based upon increased productivity, would add nothing to unit costs of production, and would be noninflationary." The executive board's recommendation said that the increase in the rate of productivity, "calculated from BLS data," was 3.9% per year. Applying this figure to the average hourly rate would give an annual productivity increase of approximately 9.6 cents an hour. This compares to the 6 cents an hour annual productivity increase in present contracts.

2. Eliminate Wage Inequities. Since the UAW fears that its skilled-trades workers may defect to AFL craft unions, it is pressing for larger increases for these workers. The UAW demands that wage inequities "be corrected regardless of what happens with respect to either productivity or living costs."

To a large extent the union helped create the very wage inequities it now seeks to eliminate. Its policy for many years was to secure across-the-board wage increases. And these flat cents-per-hour raises reduced the spread between the rates of skilled and unskilled workers. As a result of this policy a tool-and-die-maker strike during World War II, for example, was directed primarily against the union. It aimed to secure a wage increase over and above the flat cents-per-hour increase negotiated by the UAW.

3. Change Cost of Living Formula. The UAW demands that cost of living allowances in the present contract be incorporated in the base rate. The union is proposing this because it wants to make certain that increases it has secured as a result of the upward movement of the index will not be lost because of a drop in living costs. Through this device the union also hopes to establish a new formula with which it can secure cost of living increases based on smaller movements in the consumers' price index than are presently required for wage changes.

SUB Demands

The UAW has made six demands for changes in the contract provisions regarding supplementary unemployment compensation:

1. The union demands an increase in supplementary unemployment benefits, with the amount of benefits to be set at 65% of gross pay *before taxes,* with an additional $2 for each dependent up to a maximum of six. (This would be approximately 80% of take-home pay.) Present "Big Three" contracts set the employee's maximum total layoff income at 65% of his regular wage after income tax and Social Security deductions.

2. Increase the maximum-benefit duration to fifty-two weeks. As no state unemployment compensation program pays benefits beyond twenty-six weeks, this would mean that the entire amount necessary to carry employees for the additional twenty-six weeks would have to come out of the employer's SUB fund.

3. Provide that benefits be paid to "laid-off workers in states where supplementation of unemployment compensation is not permitted."

4. Eliminate the present $25 ceiling on supplementary benefits.

5. Put benefits on a daily rather than a weekly basis to protect employees against short workweeks. This daily benefit would be equal to one-fifth of the new weekly benefit. In addition earnings on any day which amounted to less than the daily benefit would be supplemented to reach that amount.

The financing for the original SUB plans was predicated on the fact that in normal layoff situations only some workers are laid off, and anything the employer gives these workers is only a supplement to what they receive in state unemployment compensation. However, when a plant goes on a four-day week, practically all hourly workers are in effect laid off for one day each week. As the workers don't get any state unemployment compensation for a one-day layoff, this UAW proposal would have the employer's SUB fund take on the entire cost of paying all employees at least 65% of their daily wages.

6. Liberalize the eligibility requirements for receiving supplementary unemployment benefits.

Pension Changes

In its pension proposals the UAW has revived its perennial demand that it be given a voice in the investment of a percentage of the money in pension funds. Since the first pension contract in 1949, the

UAW has regularly made this demand and has just as regularly been turned down.

The union asks for the following changes in pension-benefit eligibility requirements:

1. Increase normal retirement benefits from the present $2.25 to $2.75 per month per year of service.

2. Increase disability retirement pensions to "$5.50 per month per year of service, with $100 per month minimum" until Social Security begins.

3. Tie pension benefits to the consumers' price index.

4. Provide early retirement for workers who "would endure severe hardship if they continued to work" even though they are "not totally and permanently disabled."

5. Reduce the service requirement for disability pensions to five years.

6. Reduce the eligibility requirements for vesting to five years of service regardless of age.

7. Provide preretirement counseling and training.

8. Establish a rehabilitation program for disabled workers.

Work Shifts and Plant Relocation

The UAW has set up the following five demands regarding workers affected by work or plant shifts:

1. Workers displaced because of plant relocation will have the right to transfer to the new location "with full seniority rights, including all pension, vacation, SUB credits and insurance coverage, and other equities associated with their length of service."

2. Workers exercising this right to transfer to the new plant will be recompensed for the cost of relocating their families.

3. Workers not exercising this right to transfer will be granted severance pay "without loss of seniority."

4. The company will grant automatic recognition to the UAW in the new plant location; and the wage rates and contract provisions of the old plant will carry over to the new one.

5. In multiplant corporations, area-wide seniority will be established so workers can shift from one plant to another if there are shifts in work or production schedules.[1]

Hospital-Medical Insurance Coverage

The UAW has set forth as its objective in the field of medical care "the achievement of a comprehensive prepaid program which will provide for all medical and hospital needs of the worker and his family." The union complains that many of its gains "were largely nullified through increases in the cost of medical care." It says that "in many areas of the United States and Canada, even if substantial additional monies were available for medical care, at the present time there is no existing agency or organization from which a high-quality comprehensive program can be obtained." By "a high-quality comprehensive program" the UAW refers to such setups as the United Mine Workers' hospital and medical care program and organizations such as the Kaiser Plan on the West Coast, or the Health Insurance Plan (HIP) in New York.

The UAW calls for an overhaul of present programs for hospital-medical insurance coverage for workers and their families. It says it seeks an equal voice with management "not only with respect to review of contested claims, but also in such matters that will insure the greatest possible benefits . . . for the money allocated to these programs."

Shorter Workweek

The UAW has deflated its former shorter workweek demand to a proposal for "a study committee in every major corporation." The UAW demand says these "study committees should put special emphasis on examining the scheduling and related problems connected with the shorter workweek."

FINANCING POSSIBLE STRIKES

At the same time it was officially formulating its bargaining demands, the UAW took steps to finance possible strikes.

The convention passed an amendment to its constitution that ups the monthly dues rate from $3 to $8 in March, April and May, with the extra $5 going to the strike fund. The amendment provides that beginning with June, 1958, dues will go back to the regular $3 per month. But it contains a few provisos that may keep the $8 going for a much longer period. These provisos are:

1. If there are 50,000 members on strike or locked out, the international may set dues "at no more than $8" a month unless the secretary-treasurer certifies that he will have $25 million in the strike fund at the month's end. In that case dues return to $3. The amendment says the power of the international to increase dues "may be exercised as often as circumstances make the subsection applicable."

2. If the secretary-treasurer certifies that at the end of a month there will be less than $20 million in the strike fund, then the international may set minimum dues at $4 a month until the fund reaches $25 million. At that time dues revert to the regular $3 monthly amount.

3. If the secretary-treasurer certifies that at the end of a month there will be less than $15 million in the strike fund, then the international may set minimum monthly dues at $5 until the fund reaches $25 million. Minimum monthly dues then revert to $3.

[1] For a description of Ford's experience under such an area-wide seniority agreement, see the March, 1954, *Management Record*, page 94.

The extra dues thus provided for the strike fund apply only to members making $250 a month or more. Those making less than $150 a month don't have to pay any additional strike dues. Those making between $150 and $250 a month pay only half the additional strike fund dues.

The constitutional amendment also requires the executive board to establish a program of strike relief "which shall provide aid and assistance to members actively participating in an authorized strike or involved in a lockout, and, as between such members, shall primarily base such aid and assistance upon the right of each member to participate in accordance with his family obligations." In response to a question from the convention floor, Walter Reuther made it clear that this right of members to strike benefits applies only to those directly involved in a strike or lockout and not to those who may lose their employment because of a strike or lockout. (The amount of UAW strike aid for single and married men is given in the box below.)

Reuther vs. Mazey on Dues Refunds

In addition to the above constitutional amendment, there was another amendment on strike fund dues, over which the forces led by Walter Reuther and those led by Secretary-Treasurer Emil Mazey split. An eight-member majority of the Joint Constitution-

UAW's Strike Assistance Program

The UAW issued to convention delegates copies of a booklet entitled "Strike Assistance Information." This contained both the union's strike assistance program and the UAW's estimates of the cost of assistance should a strike occur at General Motors, Ford or Chrysler. (Both sets of figures are given here.)

Proposed Strike Assistance Program

1. Strike assistance shall be based on right. Members must perform strike duties to qualify for benefits. Effective date of this program is March 1, 1958.
2. Strike assistance will begin the third week of the strike.
3. Strike assistance will be increased the eighth and twelfth week and will be paid on the following schedule of benefits.

Schedule of Benefits

	3rd-7th Week	*8th-11th Week*	*12th to End of Strike*
Single	$12	$15	$17
Couple	17	20	23
Family	22	25	30

4. The strike fund of the international union will be used to pay group life insurance and group medical-hospital programs. Following is the weekly cost for General Motors, Ford and Chrysler.

General Motors	$3.58
Ford	3.54
Chrysler	3.76

5. Local unions will receive emergency strike funds based on $1 per week for participating member beginning the third week through the seventh week; $2 per week per participating member from eighth week through eleventh week and $3 per week per participating member from twelfth week to end of strike. The monies are to be used to supplement fixed assistance in emergency cases.
6. The international union will furnish each local union on strike with necessary monies to maintain a strike kitchen. The average cost of maintaining a strike kitchen, based on past experience, is about 31 cents per week per member.

The data on the relative cost of a strike against each of the "Big Three" formed the basis of much conjecture as to which one, if any, the UAW would choose to strike. In 1955, Mr. Reuther was credited with saying that the UAW goes to GM for money and to Ford to establish a principle.

Cost of Strike Assistance for "Big Three"

The following tables are based on the proposed strike assistance program computed on the basis of 100% membership participation in the strike, based upon a family composition of 20% single, 25% couples and 55% families with children.

GENERAL MOTORS
350,000 Members

	Average Cost Per Member Per Week	*Total Cost Per Week*
3rd — 7th week	$23.64	$ 8,274,000
8th — 11th week	27.64	9,674,000
12th — to end of strike	32.54	11,389,000

Total cost in the case of General Motors would be:

7 weeks	$41,370,000
8th thru 11th week	38,696,000
11 weeks	80,066,000

FORD
140,000 Members

3rd — 7th week	$23.60	$3,304,000
8th — 11th week	27.60	3,864,000
12th — to end of strike	32.50	4,550,000

Total cost in the case of Ford would be:

7 weeks	$16,520,000
8th thru 11th week	15,456,000
11 weeks	31,976,000

CHRYSLER
95,000 Members

3rd — 7th week	$23.82	$2,262,900
8th — 11th week	27.82	2,642,900
12th — to end of strike	32.72	3,108,400

Total cost in the case of Chrysler would be:

7 weeks	$11,314,500
8th thru 11th week	10,571,600
11 weeks	21,886,100

Resolutions Committee favored Mr. Mazey's position, which in effect was that anything over $25 million that the international strike fund collects, the fund keeps. A minority of six members of the committee favored Mr. Reuther's position. This group's minority report proposed an amendment providing that when the executive board determines: (1) that the bargaining demands of all substantial segments of the union have been achieved; and (2) that a $25 million strike fund is adequate to insure support of the small membership segments that have not achieved their demands, then the executive board can order a rebate, on a pro-rata basis, of all strike fund dues money above $25 million to the local unions and thence to union members.

After a hot floor debate, the convention voted to uphold Mr. Reuther's proposal calling for a dues rebate.

If there is no major strike in 1958, the amount of the rebate may be considerable. The strike fund balance as of December 31, 1957, was $24 million. The $5 a month strike assessment for this March, April and May could drive it up to $43 million. If there are no major strikes in 1958, the amendment would require that the additional $18 million be rebated to local unions and their members. If this occurs, then every member could get back his $15 in 1958 strike assessments.

JAMES J. BAMBRICK, JR.
Division of Personnel Administration

Labor Press Highlights

Unions Air Goals for 1958

RESOLVED, that the AFL-CIO and its affiliated unions cannot and will not rest on yesterday's laurels or yesterday's living standards. Our collective bargaining efforts will be directed to continuing improvements in wages, hours, standards, and benefits and working conditions."

This resolution, adopted at the AFL-CIO convention and reported in the *AFL-CIO News*, has been taken to heart by a number of affiliated unions. Within recent weeks, the journals of many unions have outlined their 1958 bargaining programs.

Oil, Chemical Workers Program

President O. A. Knight of the Oil, Chemical and Atomic Workers in *Union News* calls for increased emphasis on security and chances for advancement for members of his union. He outlines two major functions that his union should perform. First, it should protect the security of older workers, particularly when their jobs are threatened by automation or a business downturn. In the event automation eliminates jobs, says Mr. Knight, senior employees should be retrained for new jobs. If, however, layoffs are unavoidable due to a business downturn, laid-off employees should receive a large severance payment, running into "thousands of dollars for men of several years' service."

OCAW's second major responsibility, says Mr. Knight, is to provide for the needs of younger workers. He maintains that "our wages are much too low. The average oil or chemical worker should be making $5 or more an hour, with top-skilled men earning more." In the event of employer resistance to such wages, he says that the union should consider "supplementing hourly wages with royalty payments on company production. For example, a drug company could pay a few cents into a royalty fund for each hundred gross of aspirins produced. Such a fund could be held, under joint union-management administration, as a savings and emergency fund for the employees affected. . . ." Employers should favor this type of fund, says Mr. Knight, since they would pay royalties only in proportion to actual production.

Aircraft Industry Union Goals

Goals for 1958 negotiations in the aircraft and guided-missile industry have been set jointly by the Machinists-Auto Workers Coordinating Committee, according to *The Machinist*. A major target will be a severance pay plan to provide one-half day of severance pay for each month of service to employees with one year's service or more. This severance pay, says *The Machinist*, would be granted to an employee as an earned right. He would receive it if he retires or is discharged; and in case of his death it would be paid to his survivors.

Other UAW-IAM negotiating objectives cited by *Labor's Daily* are:

- A 13-cent-an-hour increase for workers not covered by a cost of living clause, plus an over-all 6% increase throughout the industry.
- Union shop provisions.
- Premium pay for workers in remote locations.
- Reimbursement of employee expenses when a plant relocates.

Steelworkers' Goals

Although contracts in the basic steel industry do not expire until 1959, United Steelworkers' President

David McDonald believes that his union has much to do in the meantime. For one thing, the Steelworkers' head is concerned with growing unemployment; *Steel Labor* reports that 125,000 USWA members are idle. To combat unemployment and at the same time provide adequate educational facilities, Mr. McDonald has urged members of his union to help fight for an immediate $15 billion national school building program.

Concentrated efforts to organize the white collar segment of the steel industry should also be made, says the union president. This view is reinforced by John Pastin, director of the Steelworkers' white collar organization drive. Mr. Pastin is quoted in *Labor's Daily* as having told a group of 1,000 local Steelworker presidents that, unless office workers are organized, the Steelworkers will become seriously weakened at the bargaining table within a few years. By 1970, the Steelworkers expect that fully one-third of all steel workers will be in the white collar group. According to *Labor's Daily*, 40,000 of the 175,000 white collar workers now in the industry are organized.

Unions Urged to Take a Look at Safety

"Almost every union can benefit from a fresh look at its safety activities," declares the AFL-CIO *Collective Bargaining Report*. The report reminds unions that, while they have played a major role in making work safer, all too often safety procedures lapse into a routine. These procedures then are effective against only the most apparent hazards, and new hazards are overlooked.

To initiate a safety program with renewed and sustaining effectiveness, the *Collective Bargaining Report* offers the following suggestions:

1. Unions should never let management forget that safety is "first and foremost management's job. Management attention and efforts must continually be directed to potential hazard situations and toward maintaining safe working equipment and conditions."
2. Unions should strive to make workers aware of the need for safe work habits and alert them to spot and correct hazards.
3. Provision should be made for regular safety reviews and inspections.
4. Where unsafe conditions are found, rapid action should be taken to clear them up.

Along the same lines, the *Chemical Worker*, journal of the International Chemical Workers Union, states that it submitted two resolutions dealing with safety to the recent AFL-CIO convention. The first embodied an oft-repeated union demand for uniform standards of health and safety in atomic energy establishments. The second proposed that the AFL-CIO set up a new department of health and safety. According to the *Chemical Worker*, the purpose of this department would be to "actively collaborate, participate and cooperate with the international unions, state and central affiliates, as well as management, governmental agencies, and health and safety organizations, in the elimination of injuries, disease and fatalities in industry and the various trades."

The *United Mine Workers Journal* also devotes the major part of a recent issue to the "Safety Outlook for 1958." Dramatically calling attention to the fact that 431 miners were killed in mine accidents during the first eleven months of 1957, the *Journal* charges that "almost no effort is being made to correct dangerous working conditions on a day-to-day basis."

According to the UMW, "the problem is not with the progressive elements of the industry who do cooperate at the working level. The problem is with those coal companies and those managers and supervisors who seem to think that it is nobody else's business how they operate their mines and who think they can ignore standard safety procedures with impunity." To overcome this problem, the union calls upon its own safety committees to insist upon investigations when accidents occur, and, even more importantly, to insist that action be taken to prevent recurrence of such accidents.

Call for Double Time for Overtime

"Time and one-half no longer exists; we now work overtime for time and one-quarter." With this charge, the *M.E.S.A. Educator*, journal of the Mechanics Educational Society of America, calls for its locals to push for double-time rates on all overtime. According to the union, overtime has been watered down because a substantial portion of recent increases have been in the form of fringe benefits. Although the cost of fringes is included in the wage bill of employers, the value of these fringes is not included in the base when determining overtime rates. In order to re-establish overtime rates that are truly time and a half, and "win back gains we had already made," the *M.E.S.A. Educator* calls for double time. Or, it says, as an alternative approach, premium pay could be based on the labor cost per hour including fringes rather than on the basic wage rate alone.

Five-Week Vacation Negotiated

A Milwaukee local of the Brewery Workers Union claims to be the first local to have secured five-week vacations for its members, according to *Labor's Daily*. These vacations start after twenty years of service. The contract, negotiated with three small malt companies, also provides for a one-week vacation after a year of service, two weeks after three years, three weeks after five years and four after twelve years.

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Consumer Prices in 1957: The Year in Review

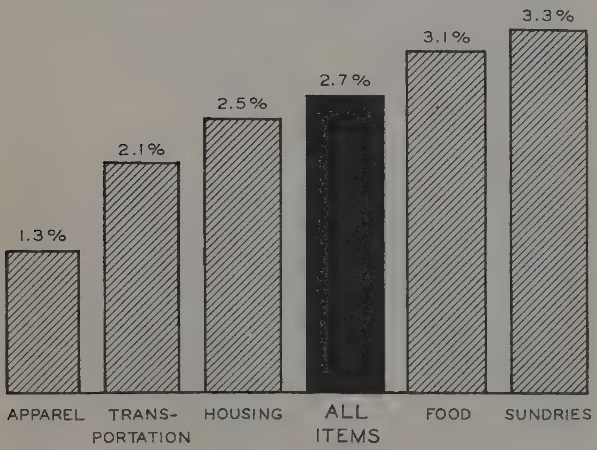
Despite many sagging economic indicators in the third and fourth quarters, consumer prices continued on their upward path

RETAIL PRICES in December, 1957, as measured by THE CONFERENCE BOARD's consumer price index, were 2.7% above their December, 1956, level. This was the result of an uninterrupted series of month-to-month increases throughout the year. And it also adds up to twenty months of consecutive increases since the upturn of the retail price level in the second quarter of 1956.

This is a rather formidable record, particularly when contrasted with the preceding three-and-a-half year period of near price stability, which started in 1953 after the pressures created by the Korean conflict had worn off. However, both the 2.2% increase registered in 1956 and the higher 1957 rise, may still be considered moderate when compared with periods of pronounced inflation, such as 1946-1949 or 1950-1952. During these years retail prices rose at an annual rate of 4.6% and 3.5%, respectively.

The general concern with the inflationary aspects of the 1956-1957 period changed markedly during the third quarter of 1957, when deflationary symptoms became increasingly apparent. The continuing rise in the retail price level—in the face of declining output, employment and earnings—became somewhat of an anomaly in the general economic picture. During earlier periods of contraction, retail prices have either followed the general trend or at least held steady. For example, during the November, 1948-November, 1949 period, retail prices declined 2.0%; between July, 1953, and September, 1954, they remained unchanged. Thus, while retail prices have shown a lesser sensitivity than other economic indicators, such as industrial output, personal income and even wholesale prices, they have responded to the general trend in the past. This therefore makes the current behavior of retail prices even more remarkable. For, while industrial output declined 6.2%, and personal income fell 0.6% between August and December, 1957, retail prices rose 0.9%. (Wholesale prices remained unchanged for this period.)

Chart 1: Change in Consumer Price Index from December, 1956, to December, 1957



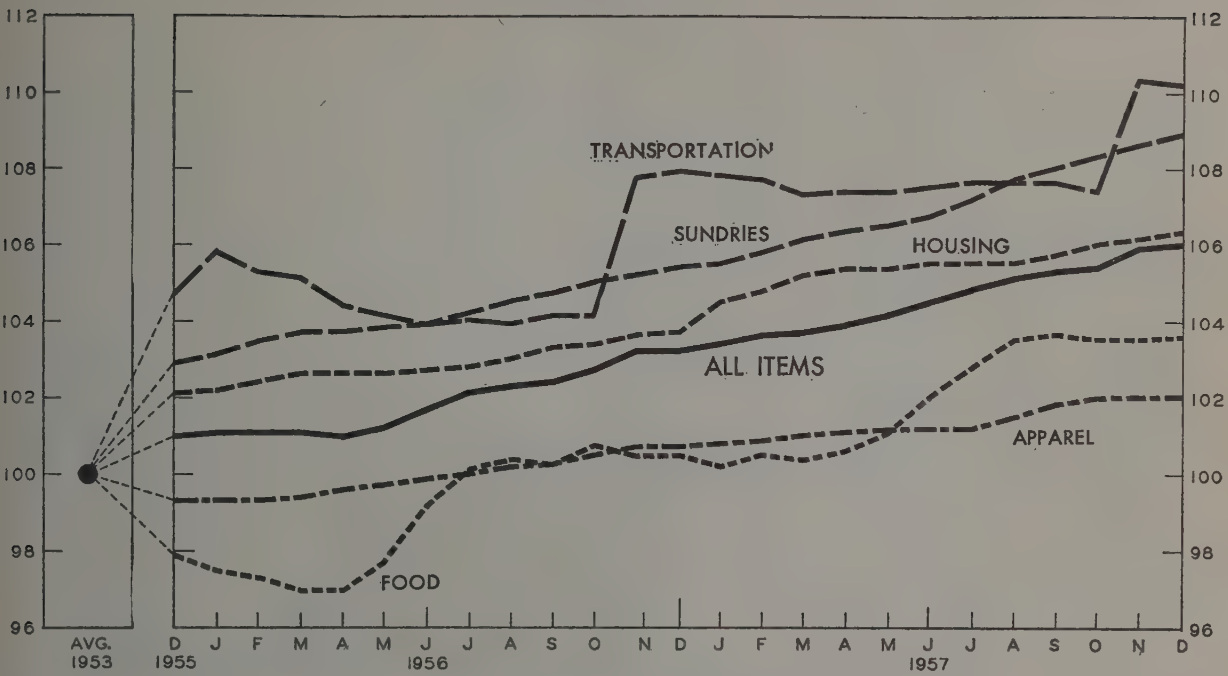
This departure from what generally is considered "normal" price behavior has given rise to considerable controversy among economists. Some have suggested that the classical concept of prices being set as a result of supply and demand conditions has more and more given way to the cost-plus concept, under which prices are determined by the addition of a certain percentage of profit to unit costs. The trend of costs, such as wages and distribution, has continued upward, even though business activity has slowed down.

Cost pressures, of course, had been building up over a long period of time prior to 1956. But, for the most part, they were not immediately translated into higher retail prices. In general, the time elapsing before the consumer feels the effects of such pressures varies—depending on the economic climate, the size of profit margins, and a host of other factors. Some of the effects of higher costs, of course, did reach the consumer before 1956, but they were not reflected in the over-all price level because of the counterbalancing movements of some commodities. The 1953-early 1956 period, thus, was one of only apparent price stability, as higher prices for services and nondurable goods were balanced by lower food costs.

During the second quarter of 1956, more of the higher production costs were passed on to the consumer, and at the same time food prices began to rise considerably. Once the pressures of higher unit costs had broken through to the retail level, a continuous series of month-to-month price increases started; this might be thought of in much the same way as the relatively little fuel that is necessary to keep a kettle

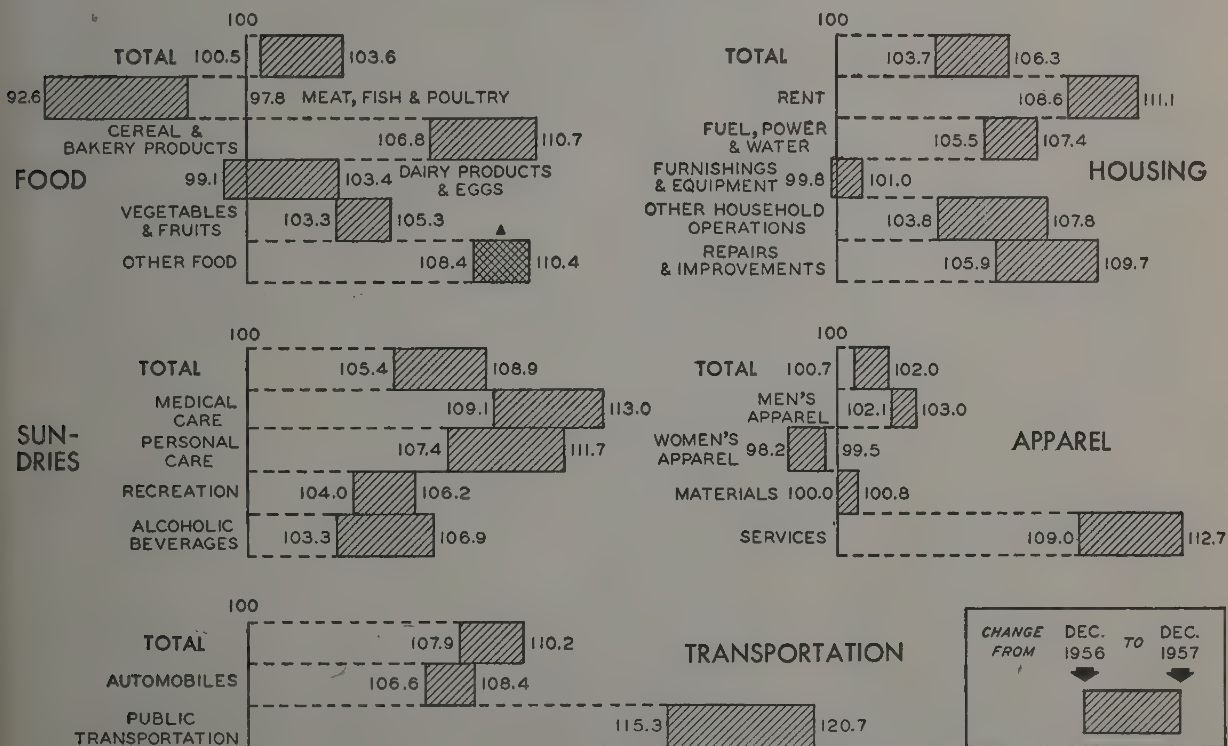
Chart 2: Consumer Prices During 1956 and 1957

1953 = 100



Changes Within the Components

1953 = 100



▲ "Other food" was the only group that showed a decrease over the year. It registered 110.4 in 1956 and 108.4 in 1957.

Consumer Price Index—United States

Cities over 50,000 population

1953 = 100

	ALL ITEMS	FOOD						HOUSING				
										Fuel, Power, Water		
		Total	Meat, Fish, Poultry	Cereal, Bakery Products	Dairy Products, Eggs	Fruits, Vege-tables	Other Food at Home	Total	Rent	Total	Gas	Elec-tricity
1956 June	101.7	99.2	89.9	105.3	94.3	112.1	107.4	102.7	107.7	105.3r	108.9r	102.0
July	102.1	100.1	90.9	105.5	95.1	114.2	108.0	102.8	107.9	103.9	106.0	102.0
August	102.3	100.4	92.5	105.7	96.5	100.8	108.5	103.0	108.0	104.0	106.1	102.0
September	102.4	100.3	93.6	105.8	97.4	105.8	109.1	103.3	108.1	104.3	106.5	102.0
October	102.7	100.8	95.1	106.4	99.0	102.7	109.7	103.4	108.4	104.7	106.5	102.4
November	103.2	100.5	93.5	106.6	99.7	102.1	110.1	103.6	108.5	105.3	106.8	102.4
December	103.2	100.5	92.6	106.8	99.1	103.3	110.4	103.7	108.6	105.5	106.5	102.4
1956 Annual Average	101.9	99.0	90.7	105.6	96.8	105.2	107.8	102.9	107.8	105.0r	107.7r	102.1
1957 January	103.4	100.2	91.7	107.1	97.8	104.1	110.8	104.5	108.7	107.8	109.5	102.2
February	103.6	100.5	92.4	107.7	97.2	104.8	111.1	104.8	108.9	108.6	109.5	102.2
March	103.7	100.4	92.5	108.1	96.4	104.2	111.1	105.2	108.9	108.7	109.6	102.2
April	103.9	100.6	93.1	108.6	95.6	105.2	111.0	105.4	109.4	108.8	109.4	102.2
May	104.1	101.1	93.9	108.9	94.7	108.7	110.2	105.4	109.5	108.5	109.5	102.3
June	104.5	102.0	95.7	109.3	94.0	111.3	110.0	105.5	109.6	108.3	109.4	102.4
July	104.8	102.8	97.2	109.6	95.0	111.9	110.0	105.5	110.1	106.6	106.7	102.7
August	105.1	103.5	99.9	109.8	97.4	108.2	110.0	105.5	110.2	106.4	106.8	102.7
September	105.3	103.6	100.3	109.9	99.6	105.4	110.0	105.7	110.3	106.6	107.0	102.7
October	105.4	103.5	99.2	110.2	102.0	104.0	109.0	106.0	110.9	106.9	106.9	102.7
November	105.9	103.5	97.9	110.6	103.4	104.9	108.7	106.1	111.0	107.3	108.4	102.7
December	106.0	103.6	97.8	110.7	103.4	105.3	108.4	106.3	111.1	107.4	108.4	102.7

	HOUSING (continued)		APPAREL			TRANS-POR-TATION	SUNDRIES	PUR-CHASING VALUE OF DOLLAR	REBASED INDEXES		
	Furnish-ings, Equipment	Other Household Operations	Total	Men's Apparel	Women's Apparel				All Items (January 1939 = 100)	Purchasing Value of January, 1939 Dollar	All Items (1947-49 = 100)
1956 June	99.1	102.4	99.9	100.5	98.3	103.9	103.9	98.3	184.7	54.1	115.8
July	99.0	102.8	100.0	100.7	98.2	104.0	104.2	97.9	185.4	53.9	116.2
August	98.9	103.0	100.2	101.1	98.3	103.9	104.5	97.8	185.8	53.8	116.4
September	99.3	103.6	100.3	101.6	98.2	104.1	104.7	97.6	186.0	53.8	116.6
October	99.3	103.6	100.5	101.7	98.3	104.1	105.0	97.4	186.5	53.6	116.9
November	99.5	103.7	100.7	102.0	98.3	107.7	105.2	96.9	187.3	53.4	117.4
December	99.8	103.8	100.7	102.1	98.2	107.9	105.4	96.9	187.5	53.3	117.5
1956 Annual Average	99.3	102.8	100.0	100.8	98.2	105.0	104.2	98.1	185.1	54.0	116.0
1957 January	99.8	104.5	100.8	102.3	98.2	107.8	105.5	96.7	187.8	53.3	117.7
February	100.0	104.8	100.9	102.3	98.4	107.7	105.8	96.5	188.2	53.1	117.9
March	100.4	105.2	101.0	102.4	98.5	107.3	106.1	96.4	188.4	53.1	118.1
April	100.5	105.3	101.1	102.5	98.5	107.4	106.3	96.2	188.7	53.0	118.3
May	100.4	105.5	101.2	102.6	98.5	107.4	106.5	96.0	189.1	52.9	118.5
June	100.5	105.6	101.2	102.6	98.5	107.5	106.7	95.7	189.7	52.7	118.9
July	100.4	105.9	101.2	102.6	98.4	107.6	107.2	95.4	190.3	52.6	119.2
August	100.3	106.4	101.5	102.7	98.7	107.6	107.7	95.1	190.9	52.4	119.6
September	100.8	106.6	101.8	102.8	99.3	107.6	108.0	95.0	191.2	52.3	119.9
October	101.0	107.1	102.0	102.9	99.5	107.4	108.3	94.9	191.4	52.2	120.0
November	101.0	107.3	102.0	103.0	99.5	110.3	108.6	94.5	192.2	52.0	120.5
December	101.0	107.8	102.0	103.0	99.5	110.2	108.9	94.4	192.4	52.0	120.6

Consumer Price Index—United States

Annual Averages 1914-1957[a]

1953 = 100

Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar
1914	40.3	248.1	1925	67.8	147.5	1936	54.8	182.5	1947	84.7	118.1
1915	40.0	250.0	1926	68.3	146.4	1937	57.2	174.8	1948	90.1	111.0
1916	43.0	232.6	1927	66.9	149.5	1938	55.7	179.5	1949	88.8	112.6
1917	51.3	194.9	1928	65.9	151.7	1939	55.0	181.8	1950	90.0	111.1
1918	59.5	168.1	1929	65.6	152.4	1940	55.4	180.5	1951	97.0	103.1
1919	67.6	147.9	1930	63.4	157.7	1941	58.3	171.5	1952	99.5	100.5
1920	77.8	128.5	1931	57.0	175.4	1942	64.5	155.0	1953	100.0	100.0
1921	66.8	149.7	1932	50.9	196.5	1943	68.2	146.6	1954	100.2	99.8
1922	63.6	157.2	1933	49.0	204.1	1944	69.1	144.7	1955	100.3	99.7
1923	65.4	152.9	1934	51.8	193.1	1945	70.2	142.5	1956	101.9	98.1
1924	66.1	151.3	1935	53.6	186.6	1946	74.9	133.5	1957	104.6	95.6

a Indexes from 1914 through 1919 are for the month of July only and are not annual averages

r Revised

Consumer Price Indexes for Individual Cities

NOTE: These indexes show changes in consumer prices only. They do NOT show intercity differences in price level or standard of living.

Cities Surveyed Monthly

	Index Numbers 1953 = 100			Percentage Changes	
	Dec. 1957	Nov. 1957	Dec. 1956	Nov. 1957 to Dec. 1957	Dec. 1956 to Dec. 1957
Chicago					
All Items	108.8	108.6	105.4	+0.2	+3.2
Food	104.8	104.2	101.0	+0.6	+3.8
Housing	111.4	111.4	109.2	0	+2.0
Apparel	102.5	102.5	101.3	0	+1.2
Transportation	114.3	114.3	106.8	0	+7.0
Sundries	110.7	110.6	107.7	+0.1	+2.8
Houston					
All Items	106.4	106.4	103.5	0	+2.8
Food	104.0	103.8	101.8	+0.2	+2.2
Housing	106.7	106.6	103.6	+0.1	+3.0
Apparel	103.5	103.4	101.5	+0.1	+2.0
Transportation	112.5	113.5	107.7	−0.9	+4.5
Sundries	106.7	106.4	103.6	+0.3	+3.0

	Index Numbers 1953 = 100			Percentage Changes	
	Dec. 1957	Nov. 1957	Dec. 1956	Nov. 1957 to Dec. 1957	Dec. 1956 to Dec. 1957
Los Angeles					
All Items	105.3	105.2	102.7	+0.1	+2.5
Food	103.9	103.2	100.0	+0.7	+3.9
Housing	104.4	104.5	102.0	−0.1	+2.4
Apparel	102.5	102.2	100.0	+0.3	+2.5
Transportation	107.3	108.1	108.6	−0.7	−1.2
Sundries	108.7	108.6	104.4	+0.1	+4.1
New York					
All Items	106.2	105.8	103.6	+0.4	+2.5
Food	104.9	104.5	101.2	+0.4	+3.7
Housing	106.5	105.9	104.5	+0.6	+1.9
Apparel	100.5	100.6	99.3	−0.1	+1.2
Transportation	117.9	118.1	116.4	−0.2	+1.3
Sundries	107.0	106.1	104.0	+0.8	+2.9

Cities Surveyed Quarterly

	Index Numbers 1953 = 100			Percentage Changes	
	Dec. 1957	Sept. 1957	Dec. 1956	Sept. 1957 to Dec. 1957	Dec. 1956 to Dec. 1957
Atlanta					
All Items	104.6	103.8	102.1	+0.8	+2.4
Food	100.3	100.8	97.1	−0.5	+3.3
Housing	105.2	105.0	103.2	+0.2	+1.9
Apparel	100.4	100.8	100.3	−0.4	+0.1
Transportation	113.0	106.8	107.5	+5.8	+5.1
Sundries	107.6	106.6	105.5	+0.9	+2.0
Cleveland					
All Items	106.7	106.3	104.3	+0.4	+2.3
Food	102.3	103.3	99.7	−1.0	+2.6
Housing	106.9	106.2	104.3	+0.7	+2.5
Apparel	103.2	103.2	101.9	0	+1.3
Transportation	110.4	108.8	110.4	+1.5	0
Sundries	112.3	110.9	108.3	+1.3	+3.7
Denver					
All Items	105.9	104.7	103.4	+1.1	+2.4
Food	103.2	102.9	101.9	+0.3	+1.3
Housing	105.0	104.0	103.4	+1.0	+1.5
Apparel	102.2	101.8	99.6	+0.4	+2.6
Transportation	111.1	107.4	107.5	+3.4	+3.3
Sundries	109.4	108.3	104.7	+1.0	+4.5
Des Moines					
All Items	106.5	105.9	103.9	+0.6	+2.5
Food	104.4	104.9	102.1	−0.5	+2.3
Housing	104.6	104.3	101.9	+0.3	+2.6
Apparel	102.6	102.8	101.9	−0.2	+0.7
Transportation	112.3	109.9	110.9	+2.2	+1.3
Sundries	111.3	109.6	105.8	+1.6	+5.2
Evansville					
All Items	102.8	102.2	100.2	+0.6	+2.6
Food	96.6	97.6	93.4	−1.0	+3.4
Housing	103.5	102.9	101.4	+0.6	+2.1
Apparel	101.5	101.4	100.9	+0.1	+0.6
Transportation	112.3	107.7	109.3	+4.3	+2.7
Sundries	105.4	104.5	102.2	+0.9	+3.1
Huntington-Ashland					
All Items	106.8	106.3	103.8	+0.5	+2.9
Food	104.1	104.2	99.9	−0.1	+4.2
Housing	106.7	106.6	104.7	+0.1	+1.9
Apparel	104.2	103.9	103.0	+0.3	+1.2
Transportation	113.3	111.6	109.8	+1.5	+3.2
Sundries	109.2	108.3	106.3	+0.8	+2.7

	Index Numbers 1953 = 100			Percentage Changes	
	Dec. 1957	Sept. 1957	Dec. 1956	Sept. 1957 to Dec. 1957	Dec. 1956 to Dec. 1957
Indianapolis					
All Items	105.0	104.7	103.0	+0.3	+1.9
Food	100.7	101.0	98.1	−0.3	+2.7
Housing	106.7	106.0	103.8	+0.7	+2.8
Apparel	101.2	101.6	101.0	−0.4	+0.2
Transportation	108.0	107.6	109.7	+0.4	−1.5
Sundries	109.2	107.7	105.2	+1.4	+3.8
Kansas City					
All Items	105.2	104.8	103.3	+0.4	+1.8
Food	100.6	101.0	99.1	−0.4	+1.5
Housing	105.2	104.6	103.3	+0.6	+1.8
Apparel	99.7	99.6	98.0	+0.1	+1.7
Transportation	108.7	106.4	107.3	+2.2	+1.3
Sundries	113.1	112.7	109.9	+0.4	+2.9
Lansing					
All Items	107.2	106.6	104.0	+0.6	+3.1
Food	106.6	106.5	102.1	+0.1	+4.4
Housing	106.4	106.0	104.4	+0.4	+1.9
Apparel	101.4	101.7	101.0	−0.3	+0.4
Transportation	112.3	109.8	108.7	+2.3	+3.3
Sundries	108.9	108.3	104.3	+0.6	+4.4
Milwaukee					
All Items	104.3	104.0	101.8	+0.3	+2.5
Food	99.2	100.5	96.1	−1.3	+3.2
Housing	104.9	104.3	102.9	+0.6	+1.9
Apparel	100.1	99.9	98.7	+0.2	+1.4
Transportation	111.5	108.7	110.7	+2.6	+0.7
Sundries	108.4	107.8	104.2	+0.6	+4.0
Pittsburgh					
All Items	105.7	105.0	103.1	+0.7	+2.5
Food	102.5	103.2	99.5	−0.7	+3.0
Housing	107.3	106.7	104.7	+0.6	+2.5
Apparel	105.3	104.2	102.9	+1.1	+2.3
Transportation	106.9	103.0	106.9	+3.8	0
Sundries	108.0	106.9	104.1	+1.0	+3.7
Portland, Ore.					
All Items	105.7	105.2	102.7	+0.5	+2.9
Food	101.8	102.5	98.8	−0.7	+3.0
Housing	106.0	105.7	103.1	+0.3	+2.8
Apparel	101.7	101.8	99.6	−0.1	+2.1
Transportation	109.4	105.4	105.3	+3.8	+3.9
Sundries	110.3	109.8	107.5	+0.5	+2.6

Consumer Prices Virtually Unchanged in December

As far as retail prices are concerned, the old year bowed out quietly, with the price level remaining virtually unchanged during the last month of 1957. THE CONFERENCE BOARD's consumer price index registered a slight 0.1% rise in December, which brought the all-items figure for the United States to 106.0 (1953 = 100). With this increase the total change for 1957 amounted to plus 2.7%.

The purchasing value of the consumer dollar stood at 94.4 cents (1953 dollar = 100 cents) in December, which was 0.1 cent below the previous month's level.

Increases in the sundries, housing and food indexes, (which rose 0.3%, 0.2% and 0.1%, respectively) were almost balanced out by the 0.1% decline in transportation costs, while apparel prices remained unchanged over the month.

The Increases

Of the groups showing increases, food registered the smallest change. This was the result of counterbalancing movements among the various food groups. Fruit and vegetable prices advanced significantly, while the cereal and bakery products group was up slightly. The dairy products and eggs index remained unchanged over the month, but a decline in the meat, fish and poultry and the "other food" group almost offset the increases. The 0.1% decline in meat, fish and poultry costs resulted from a 1.6% drop in pork prices, which was all but balanced by price hikes for beef and fish. The "other food" group moved 0.3% lower as coffee prices dropped 1.1%.

As to the upward forces in the food index, higher cereal product prices were responsible for the advance in the cereal and bakery products group. Fresh vegetables, up 1.6%, pushed the fruits and vegetables index higher, even though price declines were registered for fresh fruits and canned goods. Lower egg prices offset increases in manufactured dairy products, leaving the dairy products and eggs group unchanged over the month.

A seasonal increase in solid fuel prices, combined with a slight upward movement in rents and household operations, was responsible for the higher housing costs. The sundries index moved up under the impact of significant increases in personal and medical care charges, which were augmented by lesser advances in the cost of recreation and alcoholic beverages and tobacco.

The Other Groups

December was an extremely stable month for the apparel index. Both men's and women's clothing prices remained unchanged from the previous month's level. And a slight increase in clothing materials and service costs was too small to affect the over-all index. Transportation, the only group to register a price decline over the month, moved down as a rise in public transportation rates was more than balanced by lower automobile prices.

boiling once it has started. Thus, from then on, the upward trend in cost factors was reflected in steadily increasing prices. This resulted in a 5.0% rise in the retail price level between April, 1956, and December, 1957. And the purchasing value of the consumer dollar fell from 99.0 cents in April, 1956, to 94.4 cents in December, 1957 (1953 dollar = 100 cents).

THE PICTURE FOR 1957

During 1957 alone, retail prices, as measured by THE CONFERENCE BOARD's consumer price index, advanced 2.7%; and the consumer dollar lost 2.5 cents of its purchasing power. At the end of the year, the all-items index for the United States stood at 106.0 (1953 = 100) as compared with 103.2 in December, 1956. All major commodity and service groups registered price advances during the year. The sundries index led with a 3.3% increase, and food followed closely with a rise of 3.1%. Housing and transportation costs moved up 2.5% and 2.1% respectively, while apparel prices registered a lesser increase of 1.3%.

Chart 2 shows the steady upward trend of the general price level for 1957 as contrasted with the stability of early 1956. But of the five major index components, only sundries exhibited a similar steady trend. The other groups, which are to a much greater extent exposed to seasonal influences, showed more deviations from the almost straight all-items line.

The housing index rose fairly rapidly at the beginning of the year, flattened out during the summer months, and then resumed its rise in the fall. Transportation costs, on the other hand, declined seasonally during the early months of 1957, stabilized during the second quarter, and rose rapidly toward the end of the year. Food costs, which registered only slight, indefinite changes at the beginning of the year, provided the major upward force behind the price level during the summer months. Apparel prices were the only ones to deviate in a wholly different manner from the steady upward trend line: they were much more stable, exhibiting only their customary seasonal upswing during the third quarter of the year.

The 1957 record for the index components was as follows: about 36% of the general price rise was due to higher food prices; rising housing costs accounted for 27%; sundries for 23%; and transportation and apparel for only 9% and 5% respectively.

Food Costs

Food prices, which had been weak in preceding years, advanced 3.1% in 1957 as they registered eight increases during the year—a fairly remarkable record considering the seasonal nature of this group. All parts of the food index, with the exception of the

"other food at home" group shared in the upward trend.

The largest increase was registered by the meat, fish and poultry group, which rose 5.6% over the year. This upward movement was still a continuation of the price recovery that started after meat prices had fallen to more than 12% below 1953 levels in April, 1956. Barring some seasonal fluctuations, they have shown a consistent upward trend since then, and in September, 1957, reached a peak slightly above the 100.0 level of 1953. At that time, the customary seasonal decline set in; and by December meat prices again had slid to more than 2% below the September high.

The price behavior of the meat, fish and poultry group resulted from divergent movements within this index. Over the year, pork prices showed the greatest strength, mainly because of feed troubles. But when the large summer pig crop came to market toward the end of the year, prices eased again. Beef, which was down during the first quarter of the year, has risen consistently since. Poultry prices, on the other hand, constituted the sole bright spot for the consumer: they were 1.3% lower than a year ago. Plentiful supplies provide the explanation for this downward change. Fish prices advanced 1.3% over the year.

The second largest advance came in the dairy products and eggs group, which moved up 4.3%. The

Consumer Price Index, 1957 Annual Averages

1953 = 100

	All Items	Food	Housing	Apparel	Transportation	Sundries
United States	104.6	102.1	105.5	101.4	108.0	107.1
Cities surveyed monthly:						
Chicago	107.0	103.2	110.4	101.6	109.2	109.0
Houston	104.8	102.8	105.4	102.8	107.8	105.6
Los Angeles	104.6	102.2	104.5	101.7	107.9	107.3
New York	104.8	102.9	105.4	99.8	116.7	105.4
Cities surveyed in January, April, July, October:						
Birmingham	103.0	100.2	103.1	102.2	98.1	111.5
Bridgeport	104.3	101.3	104.9	101.0	107.9	107.5
Cincinnati	105.2	101.0	106.9	103.2	105.7	110.1
Erie	105.6	103.6	105.9	101.6	105.4	110.7
Grand Rapids	106.6	106.1	105.8	103.9	107.7	109.7
Minneapolis-St. Paul	105.6	105.2	106.3	102.1	104.1	106.4
Newark-N. E. N. J.	103.5	101.9	104.8	100.4	104.0	105.6
New Orleans	104.5	104.1	105.1	101.8	102.2	107.4
Philadelphia	103.7	101.2	104.7	101.4	107.4	105.9
Roanoke	101.7	97.6	103.3	99.5	105.0	103.9
Seattle	104.8	104.8	104.1	102.3	102.5	108.7
Syracuse	103.5	100.4	105.5	102.9	105.1	104.6
Cities surveyed in February, May, August, November:						
Akron	105.3	102.5	106.7	100.7	108.5	107.9
Baltimore	104.5	101.1	105.4	102.3	108.2	107.6
Boston	104.8	101.3	106.9	101.3	106.0	108.2
Chattanooga	102.6	98.1	102.2	104.5	108.7	106.6
Dallas	103.1	100.1	103.3	101.8	105.0	106.0
Detroit	105.9	105.5	106.4	101.1	106.6	108.0
Duluth-Superior	105.0	102.0	106.4	100.2	108.1	107.8
Richmond	103.2	99.5	104.7	101.2	106.3	105.3
Rochester	104.4	104.3	103.5	100.7	105.9	107.2
St. Louis	103.3	100.8	103.5	103.2	105.9	105.1
San Francisco-Oakland	105.3	102.9	105.2	102.1	105.8	110.2
Wilmington	104.6	100.7	105.1	101.2	107.3	110.1
Cities surveyed in March, June, September, December:						
Atlanta	103.1	98.9	104.4	100.4	108.3	106.0
Cleveland	105.4	101.6	105.7	102.7	109.3	109.7
Denver	104.2	102.1	104.1	100.9	107.8	106.5
Des Moines	104.9	103.0	103.6	102.0	110.3	107.9
Evansville	101.2	95.4	102.6	101.1	108.1	103.5
Huntington-Ashland	105.1	102.2	105.8	103.3	110.0	107.4
Indianapolis	104.1	99.7	105.3	101.2	108.5	107.1
Kansas City	104.2	100.4	104.3	98.8	106.5	111.3
Lansing	105.3	104.1	105.5	101.4	109.3	106.1
Milwaukee	103.1	98.4	103.8	99.3	109.6	106.3
Pittsburgh	104.3	101.7	106.0	104.0	105.0	105.6
Portland, Ore.	104.1	100.9	104.9	101.0	105.1	108.5

advance was the result of a situation similar to that in the meat group: egg prices, which had fallen to spectacular lows during the last couple of years, hit rock bottom in June, 1957, when they were almost 30% below their 1953 level. Then, during the second half of 1957, a remarkable recovery started, and by December egg prices were 36.5% above their June level. At the same time, milk prices, in spite of increased output, continued to rise, as did manufactured dairy products. The effect of a reduction in support prices for these last two items, which came toward the end of the year, has not as yet reached the retail price level.

The cereal and bakery products group, which has moved up slowly but consistently over the last few years, rose 3.7% in 1957. Since 1953, this group has advanced about 11%, which puts it at the top of all food groups. Bakery products showed the largest increase within the group, as bread prices advanced 4.0% over the year. Flour, up 2.4%, pushed the cereal products index higher.

Fruits and vegetables, up 1.9%, advanced less than in previous years. Fresh vegetables were only 0.7% higher, while fresh fruits cost 5.9% more. Canned vegetables as well as frozen and dried produce were cheaper over the year.

The "other food" group was the only part of the food index to register a decline: it was down 1.8%. The continuous drop in coffee prices, which totaled 12.3% at the end of the year, was so large that it more than offset advances for all other parts of the group. Sugar, fats and oils, tea and condiments all registered price increases.

Housing Costs

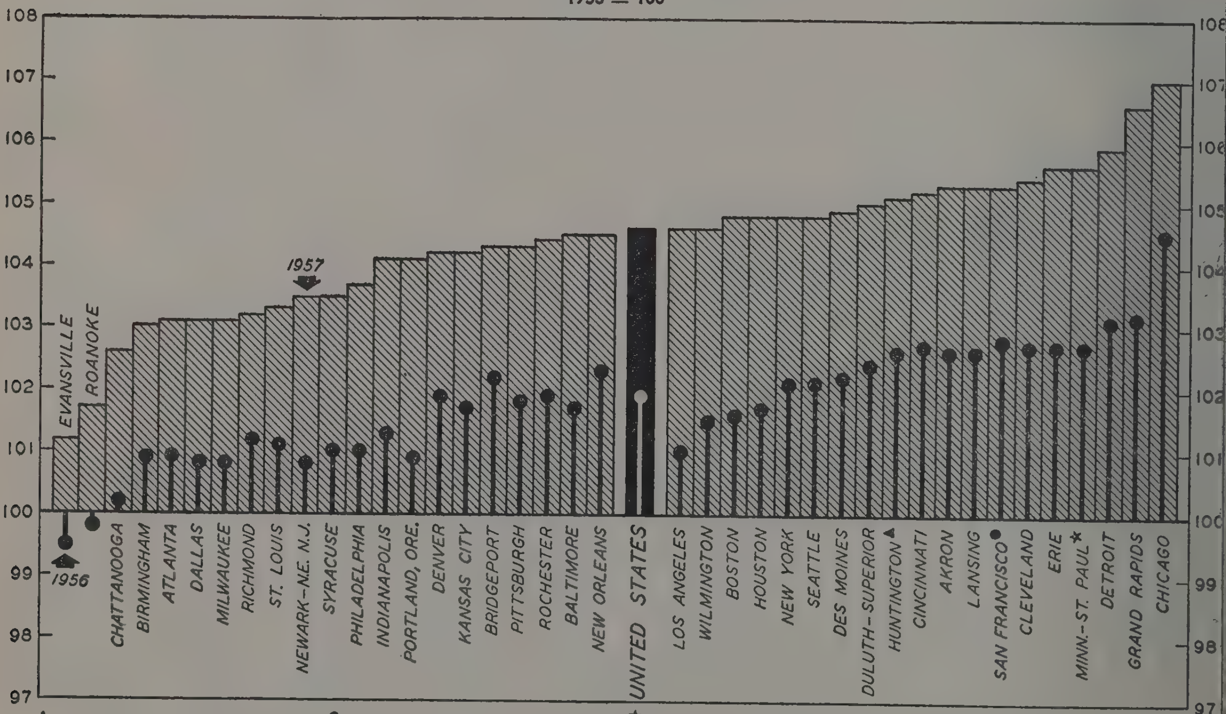
The housing index, mainly under the impetus of rising service costs, climbed fairly steadily throughout the year. And, once again, the groups, which include a preponderance of service charges advanced the most. Household operations' costs rose 3.9%, repairs and improvements 3.6%, home ownership costs (property taxes, insurance, etc.) were up 2.8%, and rents rose 2.3%. The fuel, power and water group formed an exception in this respect, as gas and electricity rates advanced only 1.8% and 0.3% respectively, while solid fuels were 2.7% more expensive. The furnishings and equipment group registered the smallest advance —1.2%; and within this group, floor coverings exhibited the strongest price behavior.

Apparel

The apparel group, which has been the most stable of all the index components in recent years, maintained this position in 1957. It rose only 1.3% over

Chart 3: Price Changes in Individual Cities

1953 = 100



▲HUNTINGTON-ASHLAND ●SAN FRANCISCO-OAKLAND ★MINNEAPOLIS-ST. PAUL

the year, and most of this rise occurred in women's clothing prices (up 1.3%) and in dry cleaning and shoe repair charges, which were hiked 3.4%. This price behavior is in direct contrast with that of the previous year, when all the price strength was concentrated in men's apparel and services. In 1957, however, men's apparel costs formed the steadiest part of the group, advancing only 0.9%.

Transportation and Sundries

The main factor in the 2.1% advance in transportation costs here, too, were rising service charges. Public transportation fares, which have climbed steadily for an extended period, chalked up a further 4.7% increase between December, 1956, and December, 1957. This latest rise brought public fares 21% above the 1953 level of 100.

Automobile transportation costs, on the other hand, advanced a modest 1.7%. New car prices were relatively weak throughout the first three quarters of 1957, partly because of the seasonal nature of the automobile market and partly because of flagging demand. Consequently, new car prices at the end of the year were only 0.4% above year-ago levels, even though the new 1958 models were introduced at higher prices than were the 1957 models a year earlier. The price performance of used cars was somewhat stronger; and this combined with higher automobile upkeep charges to provide most of the force for the rise in the automobile index.

The sundries story again, in part, is one of rising service costs. Higher personal and medical care charges contributed most toward the 3.3% advance in this index. Personal care rose 4.0% and medical care climbed 3.6%. But the strong price behavior of two commodities, alcoholic beverages and tobacco (up 3.5%), also played a substantial part in the upward movement of the index. A lesser increase of 2.1% was reported for recreation costs.

Geographical Price Spread

Prices rose everywhere in 1957 as all forty cities included in THE CONFERENCE BOARD's consumer price index reported increases. For the first time, all cities were above the 1953 price level of 100.0. This compares with thirty-eight cities in 1956 and as few as twenty-six in 1955. But there still exists a fairly wide spread in the magnitude of the increases between cities. Thus Chicago experienced the largest price rise since 1953: consumers there saw their 1953 dollar shrink to 93.4 cents; on the other hand, the inhabitants of Evansville found that their 1953 dollar was worth as much as 98.8 cents in 1957. Increases in the city annual averages between 1956 and 1957 ranged from 1.7% in Evansville to 3.6% in Los Angeles. This compares with a 2.6% change in the United States annual average.

When the price changes for all the cities are examined in terms of the four major Bureau of the Census regions, it becomes apparent that the West has chalked up the largest increase over the year: prices there rose 3.1% on the average. Price changes in the other three regions clustered closely around the United States average: in the Northeast prices were up 2.7%; in the North Central they rose 2.5%; and in the South the rise was 2.4%. But if prices are looked at over a longer period, since 1953, the North Central region shows the greatest increase (5.4%). The West followed with a 4.7% increase, and in the Northeast and the South the rise was 4.3% and 3.7%, respectively.

HELEN B. JUNZ
Division of Consumer Economics

Technical Writing

(Continued from page 46)

Frequently this is done with ceremony, to call attention to the author. The engineering manager presents the magazine's check to the employee in a small meeting. A plant photographer very likely is at hand to record the event for the plant and community newspapers.

General Electric buys and distributes large quantities of reprints of articles written by its personnel. The reprints have chiefly two uses. Marketing people use them for product promotion to customers and potential customers; and articles that are of a suitable nature (written in a popular rather than strictly technical style) are distributed to opinion leaders in General Electric communities.

IMMEDIATE SUPERVISOR HELPS AT DU PONT

"Speaking and writing by an employee is an effective means for improving communications and should assist in his professional development. When related to or associated with company affairs and interests, it is particularly important that the subject, content and presentation reflect the best interests of the company and the department."

In line with this belief, engineering department employees of E. I. du Pont de Nemours & Company are helped both in the preparation of speeches and the writing of articles. Assistance is given by the publications unit, by the company's public relations department and by members of line management. They may be consulted for guidance and aid in writing and they will also help prepare special presentations, scripts, recordings, films and other types of illustrative material. The training group will coach employees in speech presentation and advise on visual aids.

Usually an employee is asked directly by a society

or journal to prepare an article, or he may decide to write one on his own initiative. The company rarely assigns the writing of papers or articles for outside publication, although all qualified employees are encouraged to do so. When an employee is invited to give a talk or prepare an article, he is expected to talk it over with his immediate supervisor and obtain his concurrence.

The immediate supervisor has considerable responsibility in regard to publication of articles. Before any manuscript is submitted for management clearance, the supervisor is responsible for reviewing and analyzing its nature and content, including facts and grammar. Supervisors are urged to arrange for "trial runs" of speeches to make sure that they have received adequate preparation.

Papers and speeches related to company business or know-how, for delivery or publication outside the company, must be cleared prior to presentation or release. For example, manuscripts of a technical nature prepared by engineering department employees are approved by the technical director of the development engineering division. Those of a business or semitechnical nature must be approved by a departmental special assistant. The public relations department must also give its approval. To provide adequate time for these clearances, writers are required to submit their manuscripts, including visual aids, at least ten calendar days before a speech is to be delivered or a manuscript is sent to an editor. If the material deals with matters of a technical nature that are associated with company process information, fifteen days must be allowed.

Authors are encouraged to write on company time, insofar as their other work permits. Any payment for articles that are published is retained by the employee. The company makes no payments, either to supplement magazine checks or when publications do not pay for articles.

Du Pont publicizes its authors both inside and outside the company. Notices on bulletin boards call attention to the writers, and photographs and stories about them often appear in the company's many internal and external magazines and newspapers.

MONSANTO ENCOURAGEMENT

Monsanto Chemical Company encourages its technical employees to publish the results of their work in technical journals whenever this can be done without prejudicing the company's interests by disclosure of confidential proprietary information. Employees are responsible for preparing their articles and submitting them to editors, but technical supervision lends encouragement at every step.

The only requirement is that the completed manuscript be submitted and approved by the research director who is responsible for the particular field of activity involved and by the company's patent and public relations departments. Frequently an outline of a proposed paper is discussed informally before the actual writing begins, but this is a voluntary procedure —not prescribed.

The employee's immediate technical supervisor will give advice on content, if asked, and assistance is available from many company departments. The photographic laboratory of the public relations department prepares photographs, slides and other visual aids upon request. Assistance in preparing charts and graphs is available from the drafting sections of the company's various engineering departments, while the advertising department prepares art work to illustrate employees' articles. The company's various technical libraries prepare bibliographies, and the public relations department advises as to style and format. If the author wishes, the latter will help place articles. One of the company's research departments has its own technical editor whose duties include advising authors and editing their work for publication.

Technical employees usually manage their own time, and if they can squeeze preparation of an article into their regular work schedule, it is all right with the company. Usually, though, employees find that they want to write their articles at least partly on their own time.

If an outside publication pays for articles (in Monsanto's experience, this is very rare) the employee retains whatever he receives. The company does not supplement payments made by publications.

In the *Monsanto Technical Review,* a magazine which appears twice a year and which is distributed to a select list of readers, articles written by Monsanto employees that have appeared in recognized scientific and technical journals during the preceding six months are listed. About half a dozen are reprinted in their entirety, with photographs and brief sketches of the authors. During the first half of 1957, forty-five papers prepared by sixty-seven Monsanto scientists and engineers were listed or reprinted in the *Review.* Many of the papers had joint authorship.

Any articles written by employees and published during the preceding month are always listed in the monthly reports of the principal technical departments. And a record of each technical employee's printed articles is maintained in a central personnel file. Published articles and papers are displayed prominently on bulletin boards in technical departments and are referred to in the company's trade and technical literature.

When articles deal with company products or important new technical activities, reprints are distributed widely to customers and to others. Files of reprints are maintained in the principal technical libraries. The company purchases for employees' own use and distribution reprints of their articles.

BOOK AUTHORS AT BELL LABORATORIES

Engineers at the Bell Telephone Laboratories are a writing group. Last year, more than 600 articles written by members of the technical staff were published in technical and scientific journals. During the last few years, Bell Lab men have had more than twenty full-sized technical books published; five more are now in the course of being printed; and about fifteen others are now being written.

This record is attributable in large part to the policy of encouraging publication of the results of the laboratories' research and development by the members of the staff who carry out these programs. Certain approvals are required, but these are accomplished in such a way as to cause the individual author as little trouble and delay as possible. Matters concerning the publication of technical articles are a responsibility of the company's publication department.

For the most part, employees themselves get the ideas for articles and develop them, although occasionally the head of a technical department will suggest a topic. For articles published in the company's own magazines, the *Bell System Technical Journal* and *Bell Laboratories Record,* considerable editorial help is given. For most other articles, very little editorial assistance is required, although it is available when requested. Occasionally, placement service is provided by the publication department.

In order to provide drawings and photographs that are clear and attractive and that can be reproduced easily, a complete illustration service has been made available. Clearance is required from the author's own department and other interested departments, particularly the patent department. And these are handled through the publication department.

While authors are permitted to write on company time, they often do much of the work at home, since their technical jobs normally fill their hours at the laboratories. The question of payment by publishers for articles rarely arises, since nearly all appear in technical publications that do not pay. No payment to individual authors is made by the company. In general, book royalties go to the company.

Most of the articles written by Bell Laboratories' engineers are reprinted in monographs, which have a large circulation to libraries, universities and other institutions throughout the world and are available to individuals upon request. The laboratories' own magazines publish lists of articles with the authors' names. Sometimes short digests of the papers are included. If outside publishers want biographies, these are supplied.

BABCOCK & WILCOX COMMITTEE

About four years ago, The Babcock & Wilcox Company formed a technical papers coordinating committee, with the purpose of stimulating the preparation and presentation of worthwhile papers by company personnel before technical societies. The very existence of this committee has demonstrated to employees that their management has lively interest in and appreciation of such efforts.

Each of the company's four operating divisions is represented on the committee, as well as the company's research division. Other members are the director of public relations, the advertising manager, a permanent chairman, and a secretary. They meet periodically.

The committee acts as a clearing house for all technical reports that are prepared by company personnel for outside publication, and frequently it serves as counsel and guide for employee-authors. Its specific objectives are:

The provision of adequate company representation at pertinent meetings of technical organizations.

The effective presentation and publication of all technical papers created by company personnel, if they make an adequate contribution to technology or to industry.

Elimination of duplication of subject matter, i.e., to prevent two persons, unaware, devoting effort to papers on the same subject.

Insurance of accuracy.

To make certain that all papers reflect the company's high standards and that they are consistent with the company's policies and philosophy.

To assign to the most appropriate personnel, papers on specific subjects requested by technical societies and other groups.

Authors are free to draw assistance from many sources within the company, particularly the advertising and publicity functions headed by the public relations department. The advertising department, for example, provides art services and makes available slide projectors and operators and other illustrative devices for talks. Editorial assistance is provided by the publicity department, which sometimes also condenses long articles into shorter form and arranges for publication of papers that have not been reserved by editors.

All technical papers must be cleared before presentation or publication, with the writer's own divisional head and any other pertinent division, with the company's patent department, the public relations department and the technical papers coordinating committee.

The amount of on-the-job time devoted to papers is left to the discretion of the individual. His regular duties have priority, and usually he does most of his writing at home.

If a magazine should pay for an article, the fee is given to the author. The company makes no supplement.

The company distributes reprints of many published reports. In addition, the publicity department

releases to the press portions of papers that have news value. Papers scheduled for presentation or publication are compiled monthly by the coordinating committee and are posted on bulletin boards and noted in the employee magazine which goes to community leaders as well as to employees. Prominent credit is given to the authors.

According to company spokesmen, both the quantity and quality of the papers produced by B&W personnel have been greatly improved since organization of the coordinating committee. An unanticipated dividend is that much talent has been uncovered among the younger engineers which has relieved the senior engineers from the time-consuming task of preparing papers.

HUMBLE OIL PAYS MEMBERSHIP FEES

Humble Oil & Refining Company encourages its personnel to write for technical journals, first, by helping them to maintain membership in the technical societies which invite members to prepare talks for meetings and afterward publish them in their journals. The company bears the costs of such memberships and expenses incident to attendance at meetings.

The second method of encouragement is to allow employees to prepare technical papers and articles on company time. Employees are not allowed to accept payment for technical articles, nor does the company accept payment.

Supervisors and division heads help writers through suggestions, counseling and editing. While the company sometimes assigns the writing of papers for outside publications to technical personnel, ordinarily employees undertake the writing on their own initiative. Articles must be cleared with the division head, with the director in charge and/or the company's research coordinator. Employee writers are publicized through releases to local, hometown and college newspapers and stories in company publications.

IBM TECHNICAL PUBLICATIONS GROUPS

The International Business Machines Corporation has a technical publications group in each of its major laboratories. Such groups assist the company's professional engineers and scientists in the preparation of technical reports and papers, chiefly editing and providing illustrative material. While this service is intended primarily for reports that are written for internal use, it is also available when employees are preparing papers for presentation before technical societies or publication in technical journals. Occasionally, a publications group will help an employee who is preparing an article that has been solicited by a trade magazine. Practices regarding this vary in the different locations.

Standard procedure has been established for clearing articles and papers that deal with subject matter directly related to the company's engineering and scientific activities. Approval for publication may be granted by one of several individuals, depending upon the type of information the paper contains.

Articles prepared at company request are written on company time. Those prepared voluntarily by employees usually are written on the employee's own time.

The company has no general policy regarding employees' retention of pay received from outside magazines for published articles, although such a policy is now being developed. The current practice in most locations permits the employee to retain payments of this type. The company does not give an employee-author any compensation in addition to what he has received from a publisher.

Articles by IBM employees that are printed in scientific journals as well as papers that are presented to technical societies are listed in the company's employee newspapers; and notices are posted in the lobbies of the laboratories, with photographs of the authors.

DETROIT EDISON PUBLICIZES AUTHORS

In a publication issued by its library entitled *Library Digest,* the Detroit Edison Company lists current literature of interest to its employees. Among these are articles written by its own engineers and technicians. The *Synchroscope,* the company's employee magazine, also gives wide publicity within the organization to employee authorship in outside publications.

Writers at Detroit Edison may prepare their papers or articles on company time. This usually falls within the area of their assigned duties. And writers can ask assistance from any company department. Help consists primarily of editing, and provision of photographs and graphs.

Articles and papers are cleared through the regular lines of supervision up to the vice-president. In some instances, approval of the public information department is necessary.

Employees are permitted to retain any compensation they receive from publishers for their work, but receive no supplements from the company.

AIMS OF DORR-OLIVER

Dorr-Oliver Incorporated encourages its staff to prepare papers for delivery at technical meetings and articles for publication with three ends in view: increasing the technical stature of the company; adding to the professional prestige of the individual; and as a means of pre-selling.

The public relations section of the company relations department at headquarters provides many types of assistance to authors. Help may involve merely editing a paper and obtaining necessary corporate approval, such as from sales, research and development, legal, technical or executive.

TO: COMPANY RELATIONS | DATE:
AT: STAMFORD | FROM:
SUBJECT: TECHNICAL PUBLICITY | AT:

The following is basic information concerning technical publicity material which I plan to prepare for the

..............................on the subject of..............................
(Name of publication or association) (Fill in general subject)

IF PAPER OR TALK FOR DELIVERY BEFORE A TECHNICAL SOCIETY OR GROUP, FILL IN BELOW:

1. Date of Delivery..............................

2. Place of Delivery..............................

3. (a) Is abstract needed? ☐ yes ☐ no
   (b) If yes, deadline for abstract..............................

4. Deadline for finished, approved manuscript

   ....

5. (a) Will printed copies be needed for quantity distribution? ☐ yes ☐ no
   (b) If yes, approximately how many?..............................

6. (a) Will slides be required? ☐ yes ☐ no
   (b) If yes, check size: ☐ Standard 3¼″ x 4″
   ☐ 2″ x 2″
   ☐ Other..............................

7. List photos, tables or drawings below of which slides are needed:

   ....

   ....

   ....

   ....

   ....

8. Will you require editorial help from Company Relations? ☐ yes ☐ no

IF ARTICLE FOR PUBLICATION IN THE TECHNICAL PRESS, FILL IN BELOW:

1. Date of issue..............................

2. Deadline for manuscript at publication office

   ....

3. Will illustrations be required? ☐ yes ☐ no

4. Will you require editorial help from Company Relations? ☐ yes ☐ no

5. Please list illustrations below if possible:

   ....

   ....

   ....

   ....

   ....

GIVE BRIEF RESUME OF PROPOSED MANUSCRIPT INDICATING MATERIAL AND DATA TO BE INCLUDED:

....

....

....

SIGNED..............................

Form used by any staff member of Dorr-Oliver Incorporated who has accepted or is considering accepting a commitment to prepare a technical article or paper

Public relations will arrange for preparation of illustrative material, will rewrite material, and may even do ghost writing. If a member of the staff writes an article without specific plans for its use, the department will assist in placing it. The extent of service depends, among other considerations, upon the relative importance of the paper and time available to the employee to prepare the paper he is asked to contribute.

The author is permitted to write on company time, regardless of the subject or where the paper is to appear. For the most part, as is true in other companies, the majority of papers prepared by Dorr-Oliver personnel are written during the individual's free time, primarily because they never seem to get around to it in the office.

The company has helped simplify procedure with a form which prospective speakers and authors are required to fill in and send to the company relations department. (See form on page 67.)

According to an executive of the company, pride of authorship of an article in a technical journal seems to be far more rewarding to individuals than any sum paid by a publication. The company makes no provision for any compensation in addition to what may be paid by a magazine to the author.

Reprints of technical articles written by the staff have proved very helpful as sales tools. Bulk supplies of useful articles which appear in the technical press are ordered automatically by the advertising department as they are published, and file copies are distributed to the company's professional staff.

Dorr-Oliver Worldwide, a monthly publication of the company which goes to all of the organization's employees in domestic locations, as well as overseas, reports on papers that have been read at technical meetings and articles written by the company's engineers that have appeared in technical and trade magazines.

INFORMAL ASSISTANCE AT RCA

While the Radio Corporation of America has a written policy of encouraging qualified employees to write technical papers for public release, no formal organization has been set up to assist such writers. There are report writing sections in some of the company's divisions and subsidiaries, but this is the exception rather than the rule. Usually, however, RCA engineers and scientists will receive informal assistance from any associate from whom it is requested. The photograph laboratories and drafting sections are of particular help in preparing illustrative material.

Such help is given when an individual is writing an article on his own initiative, as well as when he is asked by a society or journal to prepare an article. The company does not assign the writing of papers.

By "technical papers" RCA means all papers or talks intended for publication or public presentation in which information regarding any work carried on in the company is divulged or in which the author's affiliation with RCA is indicated.

An author is required to clear his article in his own department and higher levels in the engineering organization, as well as in the marketing department and the legal department. A definite procedure is set up for doing this. When a division has a technical publications administrator, he takes care of the releases.

The writing of reports and articles is considered a responsibility of engineers in the company, and is therefore permitted on company time. In practice, many engineers and scientists do this work at home.

If a publication pays for an article, the engineer is permitted to keep the pay, but the company makes no supplements.

In the *RCA Engineer,* an internal magazine published by the company, a section called "Pen and Podium" publicizes articles that company engineers have written and speeches they have made. It is not a usual practice for the company to distribute reprints of articles written by its employees, although this has been done in a few instances.

LIST OF MOST FREQUENT AIDS

Among the many and varied ways in which companies are encouraging their employees to become writers, these appear to be the most often encountered:

1. Written company policy, which lets engineers and scientists know that top management wants them to have articles published.
2. Written procedures which enable authors to obtain necessary clearances readily.
3. Help in the preparation of papers and articles particularly through the public relations department if there is one. Usual assistance includes library reference help, typing, editing, and provision of illustrative material.
4. Help with placement of articles.
5. Permitting the author to write on company time
6. Keeping a record of the employee's published works in his personnel file, which is consulted in making promotions and granting salary increases.
7. Permitting the employee to retain any payment that is made by a publisher for his work.
8. Supplemental payment by the company.
9. Publicizing authorship.

As will have been noted, not all of the companies whose practices are described in this article do all of these things. Only a third, for instance, make any supplemental payment. All agree, however, on the importance of having their qualified personnel appear on the public platform and in the public press.

GENEVA SEYBOLD
Division of Personnel Administration

Stock Options

(Continued from page 41)

called an employee stock option and savings plan. It provides for installment purchases, which are in effect a type of forced savings, thus making it possible for lower-level employees to acquire stock.

There are these important differences between the two plans:

	1957 Plan	*1956 Plan*
Authorized shares	100,000	75,000
Life of plan	3 years	5 year
Life of option	3 years	10 years
Terms of payment	Installment purchase only	Cash in full only
Shares per grant	Value equal to 30% of annual base pay	3,000

The provisions governing eligibility also differ in the two plans. The 1956 plan, as in most cases, is restricted to "officers and key employees." Eligibility in the 1957 plan is provided for as follows:

> "Eligible employees means regular, full-time officers and employees of the company and its wholly owned domestic subsidiaries on the effective date of plan who have not been granted options under the . . . Incentive Stock Option Plan (the 1956 plan) and who, on the effective date of the plan, have completed at least two years of continuous service with the company."

An eligible employee may receive a grant equal to 30% of annual salary, divided by 95% of the current market value of stock. This method for computing the size of a grant is similar to the one previously described for a primary metals company.

In order to purchase shares, an optionee must authorize the company within thirty days from the date of grant to begin payroll deductions. Failure to do so terminates the option in its entirety. Authorized deductions are for a thirty-five month period ending no later than the termination of the option. These deductions cannot exceed an amount which, when multiplied by thirty-five, would be greater than the total value of the option.

At all times during the life of an option, participating employees remain free to either reduce the amount of authorized deductions, or withdraw all or part of the credit balance standing. Twice each year, amounts withheld are credited with interest at the rate of 3% per annum; but accumulated interest may not be applied to the purchase of stock.

The following illustrates how the plan works:

> Assume an eligible employee is earning $13,000 salary and the current market value of the stock is $20 per share. The value of the option grant equals $3,900 (30% of $13,000), or approximately 205 shares @ $19 (95% of $20). Should the optionee decide to purchase all 205 shares, he would authorize deductions of $111.31 for thirty-five months, or a total of $3,895.85.
>
> Next assume that when the optionee had $1,335.72 (twelve monthly deductions of $111.31 each) credited to his account, he authorized the company to cut back the deductions to $50 for the remaining twenty-three months. This would add $1,150 to his credit, making a total of $2,485.72 exclusive of interest. On this basis, the optionee could expect the delivery of 130 shares worth $2,470 ($19 × 130) and a payment in cash equal to accumulated interest plus the difference of $15.72 ($2,485.72 —$2,470).

Job Tenure

The plan of a primary metals company has a unique provision regarding the job tenure of optionees. In line with common practice, it expressly states that nothing in the plan or in the option agreement is to confer on optionees any right to continue in the company's employ or to interfere in any way with the company's right to terminate the employment of an optionee at any time. But then the plan adds this exception:

> "The employment of a recipient of an option shall not be terminated *without his consent* during the first year of the term of such option, except for cause."

Under this plan no option may be exercised before June 1, 1958, or before six months from the date of the option, whichever is later. Accumulated option rights are exercisable for the three-month maximum following termination permitted under the Code. In the light of these provisions, an optionee who does not consent to the termination of his employment during the first year of his grant is assured of a chance to exercise his option rights.

INTEGRATED STOCK OPTION AND BONUS PLANS

In 1957, two companies—an auto manufacturer and a chemical processor—joined the ranks of those firms that hold out the opportunity to acquire stock at favorable prices as an incentive to their executives. In both companies, the options are integrated with bonus plans. The bonus plans, the companies say, have been a very significant factor in company growth over the years. And all or part of the incentive bonus awards under previous plans were paid in company stock.

The new feature of the 1957 plans is that they substitute stock options for a portion of the bonus or stock awards. In the process, the opportunity for stock acquisition is stepped up. What's more, the two companies actually pay dividends on "stock credits," or stock not yet acquired by optionees.

These innovations carry advantages for both the company and the participating executives. For the company, substitution of stock options for actual cash or stock awards means a much smaller cash outlay. The executives, on the other hand, have a long period to weigh the relative income that would be provided by a bonus and/or dividends on which they would pay

(Text continued on page 73)

Principal Provisions of Selected Restricted Stock Option Plans

Company	Industry and Date of Plan	Life of Plan or Expiration Date	Number of Shares Authorized and % of Total Outstanding	Option Price (% of Fair Market Value)[a]	Fair Market Value Defined[b]	Maximum Number of Shares Granted One Employee	Life of Option	Waiting Period Before Exercising	Restrictions Governing Stock Purchases	Terms of Payment
A	Primary ferrous metals 4/30/57	3 years 4/30/60	200,000 8.4%	90%	Mean (mid-point between high and low) on date of grant	Number that, at option price, equals in value 30% of annual compensation	2 years	1 year	Authorization for periodic payroll deductions over 35-month period must be given within 30 days after plan takes effect, or option terminates	Cash in full or installments through payroll deductions
B	Textile mill products 11/1/56	12/31/66	30,000 6.1%	Not less than 95%	Initial sale price on day option is granted	Not fixed	10 years	2 years (except in case of death or retirement)	In whole or in part any time after waiting period	Cash in full
C	Primary ferrous metals 9/17/57	8/31/62	2,500,000 5.6%	95%	Mean (mid-point between high and low, rounded to next highest dollar) on date of grant	Lesser of 10,000 or number prorated at option price to annual compensation	Up to 10 years	6/1/58, or 6 months from option grant	In 100 share lots, unless balance of option is less than 100	Cash in full
D	Nonelectrical industrial equipment 4/30/57	12/31/63	50,000 2.6%	Not less than 95%	Closing price on date of grant	5,000	6 years	1 year	5 annual installments of 20% each. Shares not purchased in one year may be acquired any time in subsequent years	Cash in full
E	Primary nonferrous metals 5/9/56	Indefinite	60,000 3.7%	100%	Mean (mid-point between high and low) on date of grant	Not fixed	10 years	None	10 annual installments of 10% each. Shares not purchased in one year may be acquired in subsequent years	Cash in full
F	Chemicals 4/4/57	Indefinite	100,000 3.7%	95%	Not stated	25,000	Up to 10 years	2 years	In whole at any time, or in part from time to time	Cash in full
G	Petroleum products 4/17/56	Indefinite	20,000 7.2%	95%	Closing price on date of grant	Not fixed	10 years	1 year	10 annual installments of 10% each. Shares not purchased in one year may be acquired in subsequent years	Cash in full
H	Textile mill products 12/18/56	12/18/66	50,000 5.1%	Not less than 100%	Closing price on date of grant	Not fixed	5 years	1 year	In whole or in part in units of at least 100 shares	Cash in full
I	Precision instruments	Indefinite	50,000 5.4%	Not less than 95%	Closing price on date of grant	5,000	Up to 10 years	2 years	In whole or in part after waiting period	Cash in full

Principal Provisions of Selected Restricted Stock Option Plans—Continued

Company	Industry and Date of Plan	Life of Plan or Expiration Date	Number of Shares Authorized and % of Total Outstanding	Option Price (% of Fair Market Value)[a]	Fair Market Value Defined[b]	Maximum Number of Shares Granted One Employee	Life of Option	Waiting Period Before Exercising	Restrictions Governing Stock Purchases	Terms of Payment
J	Stone, clay and glass products 3/27/56	3/28/66	144,480 9.6%	Not less than 95%	Not stated	Up to 125 shares per $1,000 income received in previous fiscal year	Up to 7 years	None	Unpaid balance of purchase price cannot exceed income from previous fiscal year. Full payment must be completed within 10 years from grant of option	Cash in full or by installment contract
K	Household appliances 2/24/56	2/24/66	25,000 6.8%	95%	Not stated	Not fixed	Up to 10 years	1 year	5 annual installments of 20% each. Shares not purchased in one year may be acquired in subsequent years	Cash in full
L	Office equipment 4/24/56	4/24/61	50,000 1.1%	100%	Closing price on date of grant	Not fixed	10 years	2 years	8 annual installments, 20% on first and last installments and 10% on each intervening installment	Cash in full
M	Household appliances 3/26/57	12/31/62	80,000 4.9%	Not less than 95%	Highest price on date of grant	5,000	Up to 10 years	None	In whole at any time, or in part (but never less than 25 shares) from time to time	Cash in full. Company prohibited from making loans
N	Retail trade 2/1/57	Indefinite	246,050 1.8%	100%	Closing price on date of grant	Not fixed	10 years	1 year	10 annual installments of 10% each. Shares not purchased in one year may be acquired in subsequent years (all only in 10th year)	Cash in full
O	Autos, trucks and parts 4/24/56	Indefinite	50,000 5.9%	Not less than 95% adjusted to next higher multiple of 25¢.	Mean (mid-point between high and low) on date of grant	5,000	Up to 10 years	1 year (unless optionee is age 60 or over)	5 annual installments of 20% each (unless optionee is age 60). Shares not purchased in one year may be acquired in subsequent years. (Minimum purchase: 25 shares)	Cash in full. Company prohibited from making loans
P	Office equipment 11/20/56	10/31/61	75,000 4.8%	Not less than 95%	Closing price on date of grant	3,000	Up to 10 years	3 years	In whole at any time, or in part from time to time	Cash in full
Q	Stone, clay and glass products 4/26/57	Indefinite	100,000 6.7%	Not less than 95% nor less than par	Closing price on date of grant	5,000	Up to 10 years	None	Up to 40% first year, up to 40% second year, and balance thereafter. Shares not purchased in one year may be acquired in subsequent years	Cash in full
R	Furniture 4/18/57	Indefinite	100,000 8.6%	Not less than 95%	Mean (mid-point between high and low) on date of grant	Not fixed	Up to 10 years	18 months	In whole, or in part from time to time after waiting period	Cash in full

Principal Provisions of Selected Restricted Stock Option Plans—Continued

Company	Industry and Date of Plan	Life of Plan or Expiration Date	Number of Shares Authorized and % of Total Outstanding	Option Price (% of Fair Market Value)[a]	Fair Market Value Defined[b]	Maximum Number of Shares Granted One Employee	Life of Option	Waiting Period Before Exercising	Restrictions Governing Stock Purchases	Terms of Payment
S	Paper and allied products 9/25/56	9/25/61	380,000 5.3%	Not less than 95%	Not stated	25,000	Up to 10 years	2 years	8 annual installments. Shares not purchased in one year may be acquired from time to time in subsequent years	Cash in full
T	Water transportation 4/17/57	Indefinite	225,000 2.5%	Not less than 95%	Mean (midpoint between high and low) on date of grant	2,000 in a single option, or 5,000 in aggregate options	Up to 10 years	1 year	Up to 30% after 1 to 2 years, and 60% after 2 to 4 years, and balance thereafter	Cash in full; but company may loan up to 75% of purchase price (if salary that much)
U	Drugs 12/11/57	Indefinite	60,000 4.6%	Not less than 95%	Closing price on date of grant	2,000 initially. In any event, no more than 5% of shares in plan	10 years	1 year	5 annual installments of 20% each. Shares not purchased in one year may be acquired from time to time in subsequent years	Cash in full
V	Autos, trucks and parts 4/27/57	4/27/67	60,000 6.1%	Not less than 95%	Not stated	7,500	10 years	1 year	10 annual installments of 10% each. Shares not purchased in one year may be acquired in subsequent years at any time	Cash in full
W	Entertainment 5/21/57	Indefinite	200,000 7.5%	100% plus $1 per share	Closing price on date of grant	75,000	6 years for active employees; 1 year for advisory employees	No purchase before 1/1/58	In whole or in part at any time. Board of directors has 1 month from approval of plan to grant options. Optionee has 5 months from notice of grant to take action on it	Cash in full
X	Autos, trucks and parts 5/24/57	5/24/62	4,000,000 1.4%	100%	Not stated	75,000	10 years	1½ years	In whole or in part after waiting period	Cash in full
Y	Chemicals 11/12/57	5/1/62	666,666 1.4%	Not less than 100%	Average of high and low on date of grant	Not more than 6,666 in any one year	10 years	Not earlier than Jan. 1 of following year or 10 months after grant, whichever is later	Not more than 50% following initial waiting period. Balance of 50% exercisable in two equal installments during next two succeeding years	Cash in full

[a] On date of option grant.
[b] Price on New York Stock Exchange.

ormal income tax, as against the income possible rom exercising their option rights and paying tax at he capital gains rate.

uto Company Plan

Bylaws of the auto company require the board of irectors to present the bonus plan for review at every fth annual meeting of stockholders. During the 1952 nnual meeting, stockholders approved changes in the dministration of the bonus plan. Anticipating a reiew of the plan during the 1957 annual meeting, the oard appointed a committee of six of its members, ho were not eligible to participate in any proposed evisions, to investigate the plan in the light of its bjectives and recommend a stock option plan. Proosed recommendations hinged on a major change in he structure of the bonus plan for those executives ho would receive options. This change was put into ffect.

As approved by stockholders, the revised bonus lan provides for option grants in lieu of a portion of he incentive bonus to which participants would otherise be entitled. All other fundamentals of the incenive bonus plan of previous years are retained, includng the basic formulas for computing the size of the nnual bonus fund.

While the primary purpose of the stock option feaure of the bonus plan is to motivate executives and o encourage stock ownership, another important adantage is the prospect of more money for executives ver the long term. The company had spread the ctual cash and stock payments of the bonus award ver a period of five years. And this practice is coninued in the modified plan of today.

The stretch-out of payments, however, has not alays been a financial advantage to executives in the ullish market of the past decade. For example, an xecutive who earned a $100,000 stock bonus award 1952 was paid in five equal installments in 1952, 953, 1954, 1955 and 1956. Because of the rising market uring this period, the number of shares received in he later years were fewer than the stock bonus payments of earlier years.

Participation: Eligibility and participation in the onus plan is no guarantee for participation in the tock option plan. During 1956, all domestic employes receiving somewhat less than $8,000 annual salary ere eligible for bonus awards. Executives considered or stock option grants are selected by the bonus and alary committee from lists of recommendations subnitted by officer and nonofficer members of the board f directors.

Under the plan, grants can be made each year from 958 to 1962. It is possible for an executive to receive nore than one grant during this five-year period, but he aggregate number of shares granted any one execuive may not exceed 75,000. There is little likelihood that any executive will receive grants anywhere near this maximum because of the plan's integration with the bonus awards.

Size of Grant: The number of shares per grant is geared to the amount of the annual bonus award that would be payable if executives were not participating in the stock option plan. But the modified bonus plan provides for payment of only 75% of the bonus award for the year in which options are also granted. In addition to the 75% payment—in cash and in stock—spread out over five years, the company credits each optionee's account with "contingent credits" of company stock.

These contingent credits are computed by dividing one-third of the total bonus payment by the current market value of company stock on the date of an option grant. Thus, the combination of the bonus payment of 75% plus the contingent credits is equivalent to 100% of the bonus payment that would have been made if no stock option were granted for the year. But the number of actual shares included in the option grant is equal to three times the number of contingent credits. The following is an example of computing the size of an option grant:

> If the committee decides on an $80,000 annual bonus award for an executive who is to be selected in 1958 for an option grant, he would receive only $60,000 (75% of $80,000) of the bonus, payable in five equal installments in cash and stock during 1958, 1959, 1960, 1961 and 1962. If the fair market value of the stock is $40 per share on the date of the grant, the executive's option account is credited with 500 contingent credits (1/3 of $60,000÷$40). And he is granted an option for 1,500 shares (3 × 500) at $40 per share.

Exercising Options: Each option is granted for a period of ten years. After an initial waiting period of eighteen months, the option is exercisable in whole or in part during the life of the option.

For each share of stock purchased under the option, an executive's account of contingent credits is reduced by one-third. Thus, if the executive in the above example purchased 900 of the 1,500 shares, his contingent credits are reduced from 500 to 200. And dividends will be paid by the company to the executive for the remaining 200 contingent credits until expiration of the option. If the executive chose to take full advantage of his option, all 500 contingent credits are then cancelled. As contingent credits are charged off, company stock set aside for this purpose is transferred on a one-for-one basis to the company's treasury stock account.

In the event an optionee does not take up his full option within ten years, the company delivers to him —in five equal annual installments—the equivalent of one share of stock for each contingent credit remaining in his account. Again, using the example above, an executive's account that is reduced to 200 contingent

credits would have a value of $8,000 (200 times $40). The company then makes payments of $1,600 per year. And if the payments are in company stock, the number of shares for each year is equal to $1,600, divided by the current market value at time of delivery. These payments would be in addition to any others due under annual bonus awards received after the expiration of the option term.

The dual arrangement offers an executive several opportunities during the life of an option to decide how best to handle his bonus awards. When stock prices rise, he prefers to exercise his options and pick up capital gains profits at the risk of losing out on dividend payments for stock not purchased under the contingent-credit arrangement. On the other hand, if the market turns bearish, he foregoes the options and settles in future years for the security of the dividend payments and the bonus payments.

Chemical Company Plan

The provisions for stock options under the chemical company's plan are detailed in the revised executive bonus plan approved at a special meeting of stockholders. The directors of this company, as in the case of the auto company, are required to present the incentive bonus plan for review by stockholders once every five years. The revised bonus plan is described as being designed "to reward employees receiving the bonus with a 'limited partnership' that would expire after a term of years. . . ."

The limited partnership provision of the bonus plan is in the form of "dividend units," similar in some respects to the contingent credits used in the auto plan. And stock option grants are related to these dividend units. However, not all executives participating in the bonus plan and receiving dividend unit credits are awarded option grants.

The number of dividend units credited to an executive's account depends on the size of his annual bonus award. In previous years, a part of the bonus award was paid in company stock, pegged at a price determined by the bonus and salary committee. The pegged stock price is substantially equal to the average of the daily closing prices for that stock on the New York Stock Exchange during the calendar year for which bonuses are awarded. Dividend units are credited at the rate of one and one-third times the unpaid portion of the bonus award, divided by the pegged price. For example, assume the executive's bonus will be $100,000. The company might give him $34,000 in cash and/or stock, and convert the other $66,000 to dividend units. The number of dividend units he would get—assuming a pegged price of $200—would be 66,000 ÷ 200 × 1 1/3, or 440 dividend units.

Participation: Eligibility for bonus awards is broad in scope. Awards may be granted to employees who have contributed most to the company's success, with special consideration given those demonstrating th ability to take on more important managerial respon sibility in the company. Length of service is anothe qualification. Participation is limited to company em ployees with a minimum of two years' continuou service as of January 1 of the year in which award are made.

Regardless of stated qualifications, however, stoc option grants are limited to less than 100 key employ ees at the start. The company reports that, as it gai experience with the integrated plan, stock option may be granted to a larger percentage of employee credited with dividend units.

Cash and/or stock bonuses, dividend units, an stock options are granted annually. Not more tha 5,000 dividend units may be credited to any one pa ticipating executive each year. This automaticall limits option grants to 6,666 shares (5,000 × 1 1/3) And no dividend units are credited to participatin executives if the cumulative units credited to dat exceed 500,000 before the plan's termination date.

Size of Grant: It is obvious that the size of any stoc option grant is governed by the annual bonus awar and the method of payment. The plan provides fo reducing payments of annual bonus awards in amoun ranging from 25% to 70%, with an equivalent i dividend units substituted for the unpaid portion o the bonus award. When actual bonus payments a cut in this manner, participating executives eligib for stock options receive grants at the rate of one an one-half shares of stock for each dividend unit. Fo lowing is an example of how the size of an optio grant is determined:

> Assume an executive has earned a bonus award o $150,000, and the bonus and salary committee has pegge the price of stock used for bonus payments at $200 p share. Also assume the actual bonus payment is reduce by 60% to $60,000. In lieu of actual payment of th $90,000 difference, the executive is credited with 60 dividend units ($90,000÷$200 × 1 1/3) and is grante an option to purchase 900 shares of stock (600 × 1½) a the fair market value on the date of such grant. Fa market value is defined as the average of the high and lo prices at which the stock sold on the New York Sto Exchange on the date of the grant.

Exercising Options: Whatever the size of a grant, n portion of the option is exercisable before (a) Januar 1 of the following year, or (b) two months follow ing the date of the grant, whichever is later. An not more than 50% of the shares may be acquire during the first year after the initial waiting perio The remaining 50% can be picked up in equal instal ments during the second and third years, followin the last day of the waiting period.

Thus, the number of shares an optionee is entitle to purchase is equal to three shares of stock for eac two dividend units. But when an option is exercise

the optionee loses three dividend units for each four shares of stock bought.

Each year until age eighty-five, the optionee receives certain payments equal to the interim and year-end dividends paid to stockholders for each dividend unit remaining in his account. However, these dividends are to be distinguished from the regular annual stock dividends paid on each share of common stock outstanding. During the optionee's lifetime, the annual cash payments are made only to him. Dividend units are not transferable, but if the optionee dies before his eighty-fifth birthday, the company continues the annual cash payments to his heirs until the date when the optionee would have been eighty-five. Even though some accounts of dividend units might remain in effect longer than others, because of age differences among executives, awards are made without regard to the age of participating executives.

Important financial and tax advantages accrue to the company from integrated stock option and bonus plans. Prior to the combined incentive plans, the companies made total payments in cash and purchased stock. This meant there was less money available for their use.

For example, if the chemical plan were in effect during 1956 and dividend units were substituted for two-thirds of the bonus awards made to only the very top executives, the company would have saved approximately two million dollars. Savings in the auto plan would have totaled more than two million dollars on the 1956 payout, if it is assumed that all options related to annual bonus awards would have been exercised eventually.

During the annual meetings of the respective companies, stockholders were advised that any money not paid out under the proposed plans could be put to work profitably as other assets. And this extra money could be expected to produce earnings that would be in excess of dividend requirements for outstanding contingent credits or dividend units. As these dividend requirements lessen and ultimately cease, all earnings resulting from the investment of money not paid out in bonus awards are available for the benefit of the companies and their stockholders.

According to tax counsel in each company, the dividend payments on contingent credits and dividend units are tax deductible. This tax view is taken because the dividend payments are considered as a cost of producing the greater earnings made possible by the investment of money that would otherwise have been paid out to incentive bonus plan participants. Further, dividend payments are not charged against the bonus funds, but are included as regular operating expenses of these corporations.

CHANGES IN STOCK PRICES

With stock prices down generally from their 1956 and 1957 highs, employees eligible to receive option grants under most of the twenty-five plans stand a good chance of gaining in any rising market. But what about options granted under pre-1956 plans at prices considerably higher than the current market value?

Some companies anticipated such a situation and designed plans that permit option grants to be terminated and new ones issued. In 1957, for example, a midwestern chemical company reported a change in option prices to its stockholders as follows:

> "The company had previously, on October 26, 1955, granted a block of stock options under the company's stock option plan aggregating 38,550 shares of common stock at the option price of $69.50 per share. Since that date, all of these options have been terminated or surrendered to the company by the optionees. Under the terms of the stock option plan the company became authorized to issue new options with respect to these shares.
>
> "On September 5, 1957, stock options were granted to fifty-five key employees for an aggregate of 38,640 shares of common stock pursuant to the stock option plan at the option price of $49.75 per share, being the closing price of the common stock on the New York Stock Exchange on the granting date."

The terms and conditions of the new options are the same as those prevailing when the plan was adopted by stockholders on October 25, 1955. Details of this plan were reported previously. [1]

Companies that did not provide this hedge in their option plans can take advantage of Section 421 of the 1954 Code. It permits a revision in option prices of outstanding grants under certain conditions. Stock prices of earlier option grants may be modified and continue to qualify as restricted stock options if the average market price for the previous twelve months is equal to less than 80% of the fair market value of the stock on the date of the original grant. The average is computed by adding the high and low of each of the twelve months and dividing the sum by twenty-four.

If an option granted originally in 1954 were priced at 100% of the current market value of $40 per share, the price could be modified in January, 1958, if the 1957 average price was less than $32 per share. In fact, the price of the shares remaining in the option can be amended down to the price prevailing on the date of the modification.

Another way of handling changes in stock prices is to incorporate into the plan the variable option price described earlier. Although some of the profits realized from the sale of stock acquired under a variable option price are subject to ordinary tax rates, stock options so priced do not lose as much of their incentive value in a bearish market as option grants with fixed prices.

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[1] See "Stock Options Continue in Vogue," *op. cit.*

Significant Labor Statistics

Item	Unit	1957 Dec.	Nov.	Oct.	Sept.	Aug.	July	June	Year Ago	Percentage Ch — Latest Month over Previous Month
Consumer Price Indexes										
All Items (NICB)	1953 = 100	106.0	105.9	105.4	105.3	105.1	104.8	104.5	103.2	+0.1
Food	1953 = 100	103.6	103.5	103.5	103.6	103.5	102.8	102.0	100.5	+0.1
Housing	1953 = 100	106.3	106.1	106.0	105.7	105.5	105.5	105.5	103.7	+0.2
Apparel	1953 = 100	102.0	102.0	102.0	101.8	101.5	101.2	101.2	100.7	0
Transportation	1953 = 100	110.2	110.3	107.4	107.6	107.6	107.6	107.5	107.9	−0.1
Sundries	1953 = 100	108.9	108.6	108.3	108.0	107.7	107.2	106.7	105.4	+0.3
Purchasing value of dollar	1953 dollars	94.4	94.5	94.9	95.0	95.1	95.4	95.7	96.9	−0.1
All Items (BLS)	1947–1949 = 100	121.6	121.6	121.1	121.1	121.0	120.8	120.2	118.0	0
Employment Status[1]										
Civilian labor force	thousands	67,770	68,061	68,513	68,225	68,994	70,228	69,842	67,029	−0.4
Employed	thousands	64,396	64,873	66,005	65,674	66,385	67,221	66,504	64,550	−0.7
Agriculture	thousands	5,385	5,817	6,837	6,518	6,823	7,772	7,534	5,110	−7.4
Nonagricultural industries	thousands	59,012	59,057	59,168	59,156	59,562	59,449	58,970	59,440	−0.1
Unemployed	thousands	3,374	3,188	2,508	2,552	2,609	3,007	3,337	2,479	+5.8
Wage Earners[2,3]										
Employees in nonagr'l establishm'nts	thousands	p 52,992	r 52,807	r 53,043	53,152	52,891	52,605	52,881	53,639	+0.4
Manufacturing	thousands	p 16,333	r 16,581	r 16,783	16,905	16,955	16,710	16,852	17,159	−1.5
Mining	thousands	p 820	r 829	837	853	862	857	858	837	−1.1
Construction	thousands	r 2,833	r 3,059	r 3,224	3,285	3,305	3,275	3,232	2,997	−7.4
Transportation and public utilities	thousands	p 4,100	r 4,123	r 4,159	4,206	4,215	4,199	4,181	4,194	−0.6
Trade	thousands	p 12,324	r 11,845	r 11,664	11,620	11,499	11,493	11,505	12,260	+4.0
Finance	thousands	p 2,353	r 2,356	r 2,356	2,361	2,389	2,390	2,359	2,308	−0.1
Service	thousands	p 6,480	r 6,515	r 6,547	6,541	6,509	6,524	6,551	6,295	−0.5
Government	thousands	p 7,749	r 7,499	r 7,473	7,381	7,157	7,157	7,343	7,589	+3.3
Production and related workers in mfg. employment										
All manufacturing	thousands	p 12,482	r 12,719	r 12,893	12,992	13,024	12,788	12,955	13,350	−1.9
Durable	thousands	p 7,160	r 7,318	r 7,389	7,397	7,476	7,432	7,603	7,827	−2.2
Nondurable	thousands	p 5,322	r 5,401	r 5,504	5,595	5,548	5,356	5,352	5,523	−1.5
Average weekly hours										
All manufacturing	number	p 39.3	r 39.3	39.5	40.0	40.0	39.7	40.0	41.0	0
Durable	number	p 39.6	r 39.7	39.9	40.3	40.3	40.0	40.6	41.9	−0.3
Nondurable	number	p 38.9	38.7	39.1	39.6	39.5	39.4	39.2	39.7	+0.5
Average hourly earnings										
All manufacturing	dollars	p 2.11	r 2.11	2.09	2.08	2.07	2.07	2.07	2.05	0
Durable	dollars	p 2.24	2.24	2.23	2.22	2.20	2.20	2.19	2.18	0
Nondurable	dollars	p 1.92	1.92	1.90	1.90	1.88	1.90	1.89	1.86	0
Average weekly earnings										
All manufacturing	dollars	p 82.92	r 82.92	82.56	83.20	82.80	82.18	82.80	84.05	0
Durable	dollars	p 88.70	r 88.93	88.98	89.47	88.66	88.00	88.91	91.34	−0.3
Nondurable	dollars	p 74.69	74.30	74.29	75.24	74.26	74.86	74.09	73.84	+0.5
Straight time hourly earnings (estimated)										
All manufacturing	dollars	p 2.07	2.06	2.03	2.02	2.01	2.02	2.01	1.98	+0.5
Durable	dollars	p 2.19	2.19	2.16	2.14	2.13	2.14	2.12	2.09	0
Nondurable	dollars	p 1.88	1.88	1.86	1.85	1.84	1.86	1.85	1.82	0
Turnover Rates in Manufacturing[2]										
Separations	per 100 employees	p 3.6	4.0	4.0	4.4	4.0	3.2	3.0	2.8	−10.0
Quits	per 100 employees	p 0.6	0.9	1.3	2.2	1.9	1.4	1.3	1.0	−33.3
Discharges	per 100 employees	p 0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0
Layoffs	per 100 employees	p 2.6	2.7	2.3	1.8	1.6	1.4	1.1	1.4	−3.7
Accessions	per 100 employees	p 1.6	2.2	2.8	3.3	3.2	3.2	3.9	2.2	−27.3

1 Bureau of the Census. Beginning with January, 1957, employment status figures reflect slightly modified definitions of employment and unemployment.
2 Bureau of Labor Statistics.
3 The BLS has adjusted its nonfarm employment and hours and earnings series to first quarter 1955 benchmark levels. The benchmark level is the total count of wor covered in each industry, and in this instance the data were received from governn social insurance programs. The adjustment affects all figures since February, 1

p Preliminary. r Revised.

Studies in Personnel Policy

In the February Business Record

Impetus of Federal Spending—The budget is studied in light of its own assumptions for its likely impact upon the economy. What stimulus to business can we expect from this "optimistic and moderate" budget?

Durables Backlogs—Down several billion dollars from their peak a year ago, unfilled orders are still high. Given the present level and composition of new business, is the current level of backlogs a stimulating or sustaining force on sales? The author compares the effect of backlogs on sales during the past two recessions with the meaning they may have today.

Markets and Mergers—Ordering Crown Zellerbach to divest itself of St. Helens Pulp and Paper Company was the first antimerger ruling of the Federal Trade Commission. In analyzing the commission's reasoning the article reviews the arguments which Crown will have to use in its appeal before the Supreme Court.

The 200 Largest Manufacturers in 1956—The Conference Board's annual compilation of asset leaders gives the top companies ranked six ways: net worth, invested capital, sales, income after taxes, number of employees—and assets.

Dividend Policy—Executives of 184 manufacturing firms participating in the Board's latest survey of business practices reveal their companies' policies on dividends and indicate advantages and disadvantages to company and stockholder in the policies followed.

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INTRODUCTION

TO

PERSONNEL

ADMINISTRATION

MARCH 24—APRIL 4

APRIL 14—APRIL 25

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